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Deng Says China Will Base Troops in Hong Kong in 1997

Compiled by Our Staff From Dispatches
BEIJING — Deng Xiaoping, China's paramount leader, said Friday that Beijing would send troops to Hong Kong after regaining sovereignty over the British colony in 1997.

Mr. Deng's remarks, to Hong Kong and Macao delegates to the Chinese parliament, were his first public statement on China's military intentions, and they contradicted a Chinese official's earlier statement that Beijing would not base troops in Hong Kong.

Reports of Mr. Deng's comments prompted selling on Hong Kong stock markets, with the Hang Seng index dropping 20.21 points to 922.79 at the close of trading.

Mr. Deng's statement will come as a blow to some of the colony's 5.3 million residents, who had been seeking guarantees that China would not station troops there after regaining sovereignty.

China has promised that Hong Kong will become a special administrative region of the People's Republic administered by local inhabitants and with a high degree of autonomy in 1997.

London and Beijing are holding talks on the terms on which Britain will hand back power and on ways of protecting the personal liberties of Hong Kong residents.

Radio and television stations in Hong Kong quoted Mr. Deng as saying China plans to send 3,000 to 5,000 troops to Hong Kong after Britain's lease on most of the colony expires.

A Chinese Foreign Ministry spokesman said: "Chairman Deng Xiaoping said that after restoring the exercise of sovereignty over Hong Kong, China will dispatch its troops to be stationed there."

But the Foreign Ministry version of Mr. Deng's statement did not give any figures.

At the British Embassy in Beijing, officials said they would have no comment until they studied the new statement. But other Western analysts in Beijing said that there was no way China could agree not to station troops in Hong Kong.

when Britain finds it necessary to keep armed forces there now.

Mr. Deng's remarks contradicted a statement on May 21 by Geng Biao, vice secretary-general of the National People's Congress, that Chinese troops would not be stationed in Hong Kong. Mr. Geng, a former defense minister, said local residents would have responsibility for defense.

In Hong Kong, Mr. Deng was said to have strongly attacked the remarks by Mr. Geng and by the former foreign minister, Huang Hua. Mr. Huang also said that Chinese forces would not be sent to Hong Kong in 1997.

Hong Kong reporters quoted Mr. Deng as saying: "I want to refute a rumor. Both Huang Hua's and Geng Biao's words were nonsense. What they said on stationing troops in Hong Kong was not the view of the Central Committee."

The news agency Xinhua quoted Mr. Deng as adding: "Why should we not station our troops there, since it is Chinese territory?"

According to the agency, Mr. Deng asked: "How can Hong Kong be described as Chinese territory if we don't have the right to station troops there?"

British seeks assurances
The British government said Friday that it was pressing for assurances on the job security of police and civil servants in Hong Kong after the transfer of sovereignty over the colony to China in 1997.

Richard Luce, minister of state at the Foreign Office, told Parliament a steady evolution of Hong Kong's representative institutions before 1997 would also help strengthen the confidence of its population.

Mr. Luce, responding to a short debate on confidence-building measures for Hong Kong, said he could give no details of the confidential talks between Britain and China. But he added: "The government's aim in these talks is to maintain the maximum possible degree of continuity of order and law."

Finally, "the grand old man" appears and the crowd breaks into a deafening roar of "Where is the press, here is the leader!"

At 73, Fuad Serageldin has come out of forced political retirement after 32 years to lead his New Wafd Party back onto the stage of Egyptian politics in this Sunday's elections for the 438-seat People's Assembly.

With his huge bulk, heavy jowls, thinning grey hair and seemingly footling cigar, Mr. Serageldin evokes the prototype of the Tammany Hall boss and the traditional Egyptian pasha, the latter of which he clearly is.

Imperious in tone and short-tempered with his party aides, Mr. Serageldin strikes a strange and not altogether reassuring figure as the chief symbol of Egypt's leap into multiparty democracy.

His name, like his party, is a code word for a return to pre-1952 Egypt — before the revolution led by Gamal Abdel Nasser swept away King Farouk, the monarchy and the country's ruling landed aristocracy and banned all parties.

The reappearance of Mr. Serageldin and the Wafd Party, which led the nationalist struggle against the British from 1919 to 1952 and dominated politics, has electrified the campaign.

He has backed up these words by allowing the four opposition parties to hold public rallies and publish their own newspapers as well as sending instructions to his minister of interior, Hassan Abu Basma, to keep the police from interfering or rigging the results.

The Wafd's reappearance has set the scene for a Wafd-led opposition that may be strong enough to force substantial changes in government economic and social policies.

It is running a list of candidates in 44 of the 48 electoral districts, fielding 432 candidates against the National Democratic Party's 448. The other 10 deputies are appointed directly by the president.

Although it is not expected to get a majority of the votes on Sunday, Mr. Serageldin believes those grains are from the cometary nuclei that every now and then collide with one another and produce a shower of pulverized debris. Although these larger parent bodies, too big to be blown away, could not be seen with the crude resolution of the Infrared Astronomy Satellite telescope, the scientist has calculated that they range in size from about 75 miles in diameter. That would make them about the same size as those in the Oort Cloud.

A California Institute of Technology astronomer and member of the satellite science team, Professor B. Thomas Soifer, said: "We know that the Oort Cloud surrounding our solar system is spherical in shape, although everything else — the planets and the asteroid belt — lies in a flattened disk."

He added that "the satellite data shows the same amount of Vega to have roughly the same dimension in two directions. That implies sphericity and lends support to [Mr. Weissman's] hypothesis that the material around Vega is like a cometary cloud."

Mr. Weissman also said there appears to be an "edge of sorts" on the inner part of the Vega cloud, suggesting an absence of tiny grains nearer the star perhaps because of objects sweeping up the grains there.

What the satellite's telescope saw during its 10-month lifetime in space in 1983 was the faint warmth coming from extremely tiny grains of dust and ice around Vega. Everything above a temperature of absolute zero has some heat and emits that glow as infrared radiation.

The Vega particles are so small that the wind streaming off that star should have long since blown them all away. The fact that there is anything at all there to radiate means that something is continuously replacing the lost grains with new ones.



BOMBAY DUTY — Troops patrolling the Govandi area of Bombay Friday after Hindu-Muslim riots. Two bomb explosions injured 10 persons in the city Friday and more army reinforcements were sent. Page 4.

U.S. Fears Iranians Plan to Attack Saudi Oil Fields

By Bernard Gwertzman
New York Times Service

WASHINGTON — Reagan administration officials have reportedly told members of Congress that, according to some intelligence analysts, Iran may be planning to widen the Gulf war by attacking Saudi Arabian oil fields and sending suicide planes against oil tankers.

Congressional staff members said Thursday that the officials had cited such reports as support for the tentative administration decision, disclosed Wednesday, to provide Saudi Arabia with 1,200 port-

able Stinger anti-aircraft missiles. These staff members said 200 missiles would be provided immediately and 1,000 later.

They said the first 200 missiles would be provided to Saudi Arabia through the president's emergency powers and would not have to be delayed for a 30-day congressional review.

Iran has no plans to involve Saudi Arabia and Kuwait in the Iran-Iraq war provided they stay out of the conflict, according to Hajatollah Hashemi Rafsanjani, speaker of Iran's parliament, Reuters reported Friday from Tehran.

The House speaker, Thomas P. O'Neill Jr., said Thursday that "there is going to be an escalation of the war after June 1."

Mr. O'Neill, a Massachusetts Democrat, who had a closed-door briefing on Tuesday from Secretary of State George P. Shultz, added that he could not say more on the subject. But he said the United States should not get involved in the Gulf conflict except in concert with Britain and France.

A State Department official said later that intelligence analysts had asserted that Iran might launch a major ground attack against Iraq during Ramadan, the Muslim

month of dawn-to-dusk fasting, which begins about June 1. Iranian forces, estimated to total hundreds of thousands of men, are said to have been massed near the Iraqi border for months.

Other officials said the intelligence analysts had warned that the conflict could also be widened by an Iranian attempt to destroy the oil fields of Saudi Arabia, which backs Iraq in the war, or by an Iranian decision to send suicide flights of small planes carrying heavy explosives into tankers in the Gulf.

The officials said such moves could lead to a Saudi decision to

retaliate in strength, using American-made F-15s against Iranian installations. The officials said, however, that they thought it was unlikely that the situation would worsen to a point at which the Saudi Arabians might ask the United States to introduce naval and air power to help them.

The Iraqis also seem to be talking of increasing the fighting. On Tuesday, President Saddam Hussein said the "day is coming closer" when Iraq will have the weapons to destroy the Iranian oil terminal at Kharg Island and other major Iranian ports and oil installations.

A Western diplomat in Washington said Thursday that he understood that the Iraqis were to receive medium-range SS-21 missiles with conventional warheads from the Soviet Union. These are said to have a range of several hundred miles and are an improved version of earlier, less-accurate missiles.

Last year, the Soviet Union provided the SS-21 to the Syrians, the first time the weapon had been introduced into the Middle East.

The U.S. secretary of energy, Donald P. Hodel, said Thursday that if tensions in the Gulf were to lead to a substantial oil shortage in Europe and Japan, the United States would open the sale of its strategic oil reserves to foreign bidders. The reserve program is designed to store up to 750 million barrels of crude oil in underground caverns to be used in the event of a significant worldwide oil shortage. The current level of reserves is 400 million barrels, Mr. Hodel said.

Mr. Shultz and other administration officials have been consulting with leaders of Congress on the sale of the Stingers to Saudi Arabia, in the hope of avoiding a dispute. Last March, after the administration announced plans to provide Saudi Arabia with 1,200 Stingers, the decision was canceled after congressional opposition arose to the Jordanian sale.

The Stingers would be used, the officials said, to protect the oil fields from the possible loss in Coptic votes.

Many Egyptians attending Wafd rallies here in the capital this week seemed less interested in who is included on the party's list than in voting for a party that could serve as a real opposition in the People's Assembly.

"People just want a change," said a Cairo taxi driver. "That's all, we just want a change."

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Wafd Leader Stirs Up Egypt's Politics

'Grand Old Man' Symbolizes Leap to Multiparty Democracy

By David B. Ottaway
Washington Post Service

CAIRO — The buildup is long and his entrance carefully stage-managed, with party candidates and other notables bowing out in his praise and that of the party for an hour or two before his arrival.

Fiery speeches are interspersed with campaign jingles and outbursts of rhythmic clapping until the crowd is worked up to a fever pitch of excitement and impatience.

Finally, "the grand old man" appears and the crowd breaks into a deafening roar of "Where is the press, here is the leader!"

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The reappearance of Mr. Serageldin and the Wafd Party, which led the nationalist struggle against the British from 1919 to 1952 and dominated politics, has electrified the campaign.

While supporters of the 1952 revolution have tried to portray the Wafd as a reactionary party, its leaders are presenting it as the original incarnation of Egyptian nationalism and tapping the public desire for a change in the fact of "one-party democracy."

Thus for the first time in 32 years, the ruling party, the National Democratic Party, finds itself seriously challenged by a grassroots organization as legitimate for many Egyptians as any the nation has known.

The Wafd's re-emergence is part of President Hosni Mubarak's bold strategy to establish himself as a popular leader in his own right, like Nasser and Anwar Sadat before him, by restoring a degree of real democracy. In so doing, Mr. Mubarak has taken his first risky decision since coming to power after Sadat's assassination in 1981.

In late April, he promised Egyptians that "we are going to hold free, honest and sincere elections... unprecedented in Egypt for the past 60 years."

He has backed up these words by allowing the four opposition parties to hold public rallies and publish their own newspapers as well as sending instructions to his minister of interior, Hassan Abu Basma, to keep the police from interfering or rigging the results.

The Wafd's reappearance has set the scene for a Wafd-led opposition that may be strong enough to force substantial changes in government economic and social policies.

It is running a list of candidates in 44 of the 48 electoral districts, fielding 432 candidates against the National Democratic Party's 448. The other 10 deputies are appointed directly by the president.

Although it is not expected to get a majority of the votes on Sunday, Mr. Serageldin believes those grains are from the cometary nuclei that every now and then collide with one another and produce a shower of pulverized debris. Although these larger parent bodies, too big to be blown away, could not be seen with the crude resolution of the Infrared Astronomy Satellite telescope, the scientist has calculated that they range in size from about 75 miles in diameter. That would make them about the same size as those in the Oort Cloud.

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Iraq Says It Hit 8 Vessels in Gulf; Lloyd's Raises Insurance Rates

Compiled by Our Staff From Dispatches

MANAMA, Bahrain — Iraq announced that it had struck against shipping in the Gulf again, destroying eight vessels Friday, as concern increased that Saudi Arabia and other Arab oil producers could be drawn into the Iran-Iraq conflict.

In London, the Lloyd's insurance group said that it was more than doubling the cost of insurance coverage for ships traveling to Bushire or Kharg Island, two Iranian ports in the northern end of the Gulf. The increase was the third, and biggest, in less than a month.

In Washington, the White House spokesman, Larry M. Speakes, declined to say whether the Reagan administration still considered the Gulf to be open to international shipping.

A communiqué issued in Baghdad said the Iraqi Navy and Air Force had bombed six unidentified vessels in the Khor Musa Channel. It said two ships were destroyed by mines as they were trying to flee from the channel, which flows between the Iranian port of Bandar Khomeini and the northern end of the Gulf.

It was the second consecutive day that Iraq announced a strike on Gulf shipping, Iraq said Thursday that it had hit two large targets near the oil terminal at Kharg Island.

There was no immediate indication of the types or size of vessels involved in the reported attacks. Diplomats in the Gulf said Saudi Arabia was pressuring Iraq to end the shipping attacks, but that Iraq's president, Saddam Hussein, seemed intent on blocking Iranian oil exports. Some diplomats said Mr. Hussein did not seem averse to seeing his Gulf neighbors, or the United States, drawn into the conflict.

The attacks, if confirmed, would be the largest since Iraq and Iran made oil shipments a target in their 44-month war. Only one or two ships at a time had been hit in previous raids. At least 21 ships have been reported attacked in the Gulf since March 27.

The reported assaults Thursday and Friday provided new impetus for a United Nations Security Council debate that opened Friday on the crisis.

The Security Council meeting had been requested by the six-nation Gulf Cooperation Council, which wants the UN body to approve a draft resolution denouncing Iraq for attacks on Kuwaiti and Saudi Arabian ships.

In addition to denouncing Iraq, the draft would have the council reaffirm "the right of free navigation and commerce in international waters."

Iranian delegates boycotted the meeting. The increase in the shipping insurance was the third in less than a month and raised to 7.5 percent of vessel value from 3 percent. The rates for ships traveling to Bushire or Iran's main oil terminal at Kharg Island.

In Geneva, Saudi Arabia's oil minister, Ahmed Zaki Yamani, said in discussions with businessmen that shipping insurers were a greater threat than Iran to world oil supplies.

He said the danger in the conflict was that Lloyd's would achieve what Iranian forces probably could not, and effectively prevent tankers from reaching oil producers.

"We did not take seriously Iranian demands," he said.

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Fuad Serageldin

up for the possible loss in Coptic votes.

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(Continued on Page 2, Col. 2)

El Salvador Reassigns Rightist Officers Abroad

Washington Post Service

SAN SALVADOR — The military has announced that the head of the Treasury Police and an army provincial commander, both of whom have been linked to rightist death squads, have been ordered transferred abroad.

The Treasury Police chief, Colonel Nicolas Carranza, is the highest ranking and most influential officer to lose his post since the transfers of suspected death squad leaders began in November under U.S. government pressure.

The military ordered the transfers Thursday in part to satisfy U.S. demands and to appear conciliatory to President-elect José Napoleón Duarte, military sources said.

The transfers were expected to be only partly satisfactory to Mr. Duarte's moderate Christian Democratic Party, which has sought removal of at least three other rightist officers, political sources said.

Colonel Carranza, 51, was assigned to be military attaché in West Germany, a military announcement said. He has been identified by sources cited in American news reports both as a senior figure in the death squads and as a \$90,000-a-year paid informant for the CIA. He has denied both allegations.

Colonel Reynaldo Golcher, director of an armed forces research center, will replace Colonel Carranza as head of the Treasury Po-

lice. Until September, Colonel Golcher presided over a U.S.-sponsored pacification program in San Vicente province.

The other officer ordered transferred, Lieutenant Colonel Mario Denis Moran, the army commander in southern La Paz province, was assigned to the staff of the Inter-American Defense College at Fort McNair in Washington.

Colonel Moran has been linked to death squad activity by U.S. and Salvadoran sources and is suspected of having helped to cover up the January 1981 killings of two U.S. land-reform advisers.

The U.S. government has pressured Salvadoran authorities to prosecute an officer close to Colonel Moran who allegedly ordered the killings. So far, the U.S. efforts have been unsuccessful.

The Treasury Police is one of El Salvador's three security forces and has the reputation of being the most ruthless. It lost its long-time chief of intelligence, Major José Ricardo Pozo, in November after U.S. officials pressed for his transfer because of his alleged ties to the death squads. Major Pozo was sent into diplomatic exile in January as military attaché in Paraguay.

Colonel Carranza is a close associate of the rightist political leader, Roberto D'Aubuisson, the former army major who lost to Mr. Duarte in the presidential runoff election on May 6.

Mr. Duarte has had poor relations with Colonel Carranza since they clashed when Mr. Duarte headed the ruling junta from 1980 to 1982 and Colonel Carranza was deputy defense minister.

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Terrorism Case Confronts Israel With Reality of Settler Policy

By Edward Walsh
Washington Post Service

JERUSALEM — The indictment of more than two dozen Israelis on charges of terrorism against Arabs in the West Bank has confronted the Israeli government with some of the consequences of its determination to populate the occupied territory with as many Jews as possible.

For years, Israeli governments have subsidized and encouraged the settlers, sending them into an area of about 800,000 Arabs, at first to populate a series of security outposts and more recently as part of a drive to absorb the territory into Israel.

Because much of the Arab population was hostile, the settlers were expected to defend themselves, and they often interpreted the law on the spot. It was a cheap and convenient solution for a government that wanted to send Jewish settlers into a largely hostile territory without providing a military presence to protect them.

Many settlers needed neither encouragement nor subsidies to settle the West Bank. Driven by the belief that the territory was given by God to the Jewish people, they were the vanguard of the settlement movement.

The Labor Party governments of the 1970s were ambivalent toward the militant settlers, disdaining their tactics while remaining committed to the principle of Jewish settlement of the West Bank. Often, the Labor governments gave in to their demands rather than confront the vanguard settlers.

With Likud bloc government coming to power in 1977, militant settlement tactics received official government blessing. They soon pushed the settlement ideology to an extreme, moving into the center of the Arab city of Hebron while planning for their next target, Nablus, the West Bank's largest Arab city and a center of Palestinian nationalism.

It was such militants who are now charged as terrorists of a Jewish underground. The charges against the suspects, whose number rose to 27 Thursday with two more indictments, include murder, attempted murder and membership in a terrorist organization.

A court order has banned publication of their names, but they include decorated Israeli war heroes, at least two senior officers in the regular army and other figures from the settlement movement.

"Everybody could say before this was really the work of the lunatic fringe," said Elyakim Haetzni, a lawyer from the settlement of Kiryat Arba who is representing some of the suspects. "Today it is no longer possible to say that."

NEWS ANALYSIS

Some settlers, like Efraim Zuroff, 35, an American-born Jew who moved last year to the West Bank settlement of Efrat, have called for a "re-education" program by the Gush Emunim, or Bloc of the Faithful, movement to which most of the suspects belong.

Mr. Zuroff said that within the most ideological of the settlements, such as Kiryat Arba, there is an atmosphere of isolation and religious extremism that threatens the whole settlement movement.

"I tend to think that the underground that will be created by the children who grow up in these settlements will be 10 times worse than this," he said.

But in Kiryat Arba, Mr. Haetzni blamed the government for the increase in terrorist attacks on Arabs. "The government is responsible," he said. "We are like a lightning rod... The people of Israel put the settlers in the first line of battle, in the town of Hebron. Today there are 15 Jewish families living there among 60,000

Arabs, left there without protection. The situation has apparently driven them to the point of despair."

The one thing that neither the settlers, the government, nor even the Labor Party opposition, has questioned is the wisdom of the settlement movement itself. Central to the beliefs of many of the committed but less militant of the settlers is the conviction that eventually the Arabs will give up all resistance, so that they, or at least their children, can look forward to life in a tranquil and Jewish-dominated West Bank.

There is no evidence that the most militant of the settlers are prepared to change their tactics or that the government is weakening in its support for their cause.

West Bank Rabbi Is Freed
Rabbi Eliezer Waldman, who heads the Kiryat Arba settlement yeshiva, or Jewish studies college, was released by police Friday after a 48-hour detention in connection with the terrorism case, United Press International reported from Jerusalem.

Rabbi Waldman is a candidate of the rightist Tehiya party in the July 23 general elections. The party's leader, Science Minister Yuval Neeman, named Prime Minister Yitzhak Shamir on Thursday he would resign from the cabinet unless the rabbi were released.

Israelis to Oppose Sale Of U.S. Missile to Saudis

New York Times Service

TEL AVIV — Israel will oppose the Reagan administration's plan to try again to sell Stinger anti-aircraft missiles to Saudi Arabia, according to a spokesman for Prime Minister Yitzhak Shamir.

The official said Thursday night that there was a danger that the weapons, which were accurate and deadly, might reach the forces of the Palestine Liberation Organization. The missiles, which are fired from the shoulder, are mobile and easy to handle.

The spokesman, Avi Passer, said that "we shall certainly take the matter up." He declined to go into details. The proposed \$140-million transaction could be made by President Ronald Reagan notifying Congress of the planned sale 30 days in advance or by invoking a special provision that would allow him to provide military equipment immediately when he deems it to be in the national interest.

In March, the United States canceled plans to sell 1,400 Stingers to

Saudi Arabia and 1,600 to Jordan because of opposition by Israel's supporters in the Congress.

The Israeli official said when the Israelis invaded Lebanon in 1982 they discovered that the PLO was using American weapons that had been sold to Saudi Arabia.

He said "a very dangerous situation would be created if the Stingers fall into what he called 'irresponsible hands.' The official said Israel had always opposed the sale of advanced weapons to Arab countries hostile to Israel.

The Saudi Arabians, Mr. Passer said, had participated in all the wars between Arabs and Israel. He acknowledged that Saudi participation had been limited but said that "the reason was that they didn't have the weapons."

Mr. Passer dismissed the argument that the Saudi Arabians needed the weapons to protect oil tankers in the Gulf. "We know from past experience the Saudis never turned their arms against anybody but Israel," he claimed.



A U.S. soldier demonstrates the Stinger missile.

Saudis Seen as Reluctant To Challenge Iranians

By Fred Hiett

Washington Post Service

WASHINGTON — Saudi Arabia has a more capable and modern air force than Iran and, as the Gulf war escalates, faces a problem that is more political than military, according to U.S. officials.

Their assessment has led to Defense Department insistence that Saudi Arabia and its allies attempt to defend themselves, if necessary, before seeking U.S. help. U.S. Navy ships assigned to the Gulf are being kept out of areas of potential trouble, the officials said Thursday.

However, these officials and other experts also acknowledge that, even with U.S. support in intelligence and logistics, Saudi Arabia and its allies would have difficulty defending against sporadic surprise attacks by air and sea. Saudi Arabia has been flying F-15 patrols recently but found it impossible to keep aircraft aloft at all times, officials said.

In addition, many observers said, Saudi Arabia is reluctant to confront Iran for fear of provoking a wider and uncontrollable conflict and of inciting fundamentalist Muslims in Saudi Arabia. Saudi rulers are said to fear that the fundamentalists' sympathy for Ayatollah Ruhollah Khomeini of Iran could threaten the stability of the Saudi kingdom if the two countries went to war.

"I think the Saudis might actually be able to do reasonably well against what's left of the Iranian Air Force," said Thomas L. McNaughton, a Gulf expert at the Brookings Institution, a private research group. "But the Saudis are desperately trying not to use their air force," he added. "The issue is political, and do they want to get in a tiff with the Iranians, and the answer is clearly not."

Mr. McNaughton said Iran was probably equally reluctant to tangle with Saudi Arabia, which would widen its war with Iraq and damage its oil exports. But he said that if Saudi Arabia could not prevail on Iraq to stop attacking tankers calling at Iranian ports, Iran was likely to continue pressuring Saudi Arabia with occasional retaliatory strikes.

In that case, he said, Saudi Arabia may be forced to respond, although officials said its first attempt is likely to involve deterring attacks with air patrols, naval escorts and declared free-fire zones off its coast. Saudi Arabia has the advantage of U.S.-owned and operated Airborne Warning and Control System (AWACS) reconnaissance aircraft patrolling from Saudi Arabia.

In recent years, Saudi Arabia has bought billions of dollars in U.S. arms, including 62 top-line F-15 fighters armed with radar-guided Sparrow and heat-seeking Sidewinder missiles.

By comparison, Iran's U.S.-provided air force has deteriorated markedly since the fall of Shah Mohammed Reza Pahlavi in 1979. Although no one knows for certain, most experts estimate that Iran has 50 to 70 working military aircraft.

Iran's force suffers from lack of spare parts and proper maintenance but can boast experienced pilots. The Saudi Air Force is backed by hundreds of U.S. government and corporate personnel keeping the sophisticated aircraft in working order and by U.S. pilot training, but it has never been tested in combat.

Sakharov, Wife May Be Close to Death, U.S. Says

United Press International

WASHINGTON — The State Department said Friday that the Soviet dissident Andrei D. Sakharov and his wife, Yelena G. Bonner, who are on a hunger strike, may be near death.

A spokesman said the length of the hunger strike could indicate a critical situation. The spokesman referred to the death of a Ukrainian human rights activist, Oleksiy Tykhly, in a Soviet labor camp. Cause of death was not made public.

Mr. Sakharov, 63, began a hunger strike May 3 to pressure Soviet authorities to allow his wife to travel to the West for treatment of a heart condition.

Reagan Honors Unknown Vietnam GI

WASHINGTON (AP) — President Ronald Reagan paid tribute Friday to an unknown American serviceman who died in Vietnam and whose remains will be laid to rest on Monday. Memorial Day, at Arlington National Cemetery's Tomb of the Unknowns.

"He is the heart, the soul and the spirit of America," the president said at a ceremony in the Capitol Rotunda, where the soldier's body had been brought. "An American hero has returned home."

The soldier's remains had been in U.S. custody in Hawaii for 10 years, during which the government tried to identify him. A total of 58,012 Americans were killed in the Vietnam War, and about 2,500 are still listed as missing in action.

No Progress in German Strike Talks

BONN (Reuters) — West German employers and trade unions held long talks Friday in an attempt to end a wave of strikes for a shorter working week, but virtually no progress was made.

A local negotiator for the IG Metall union in the southwestern city of Stuttgart, where the talks were held, said, "We are still marking time."

There has been no narrowing of differences. The strikes, which started 13 days ago, have left more than 250,000 workers idle and have severely disrupted car production. Friday night, the Opel subsidiary of General Motors was due to shut down its assembly lines in the northwestern city of Bochum because of lack of parts, a move that will affect up to 18,500 employees.

NATO Chief Criticizes Funding Move

BRUSSELS (Combined Dispatches) — Members of the North Atlantic Treaty Organization are failing to meet its military requirements by slowing the increase in spending for conventional forces, General Bernard W. Rogers, NATO's supreme commander in Europe, said Friday. General Rogers, speaking at a forum sponsored by the Center for European Policy Studies in Brussels, criticized what he called "wishful thinking" among European and U.S. political leaders that economic strains in the Soviet Union would force Warsaw Pact countries to slow their military buildup.

He said spending goals set last week by NATO defense ministers were a step "in the wrong direction," and called for spending increases of at least 7 percent after inflation. The defense ministers agreed to require an average yearly increase of 3.2 percent for each member through 1990. This compared with a 4.0-percent average increase in the previous planning period, General Rogers said. (AP, Reuters)

Dutch Cabinet Meets on Deployment

THE HAGUE (Reuters) — The Dutch cabinet held its first full meeting Friday on whether to deploy 48 cruise missiles in the Netherlands, and Prime Minister Ruud Lubbers said the ministers had reached no decision.

But political sources said a clear majority in the cabinet favored deployment. All the ideas raised at the meeting included some form of conditional approval of the missiles.

Mr. Lubbers said he planned private talks this weekend with Foreign Minister Hans van den Broek, a leading supporter of deployment, and next week with Defense Minister Jacob de Ruiter, the main opponent. The Netherlands is the last of five nations of the North Atlantic Treaty Organization to decide on deploying medium-range nuclear missiles as part of a joint response to Soviet SS-20 missiles.

EC to Share Out North Sea Fish Catch

BRUSSELS (Reuters) — European Community fisheries ministers agreed Friday to share out 155,000 metric tons of North Sea herring, thus ending a dispute with Norway which jointly controls the stocks, officials said.

The ministers set provisional herring catches for EC boats this year despite failure of talks with Oslo on dividing the total 230,000 metric tons of herring likely to be available.

Norway has said that EC fishing boats caught 174,000 metric tons of herring in 1983 — more than the 94,300-ton quota set last year — and it insisted on compensation before the EC started dividing the catch among its fleets this year. Thor Liestad, the Norwegian minister of fisheries, said Friday that the Brussels decision could end his country's cooperation with the European Community over fishing in the North Sea.

Haitians Riot Against Duvalier's Rule

PORT-AU-PRINCE, Haiti (UPI) — Haitians shouting "Down with Duvalier, down with misery" rioted for two days in the city of Gonaïves against the government of Jean-Claude Duvalier, witnesses said.

Soldiers enforced an overnight curfew Friday in Haiti's fifth largest city, which was reported by witnesses to be under military occupation. Witnesses in the west coast city reported "numerous arrests and several people dead," although it was impossible to determine how many because the government restricted coverage of the disturbances.

The disturbances erupted Wednesday, reportedly because of the public beating of a woman by a policeman, and expanded into widespread demonstrations against the government, residents said by telephone. "It is the first real rebellion against Duvalier," a resident of Gonaïves said. Tension has increased since the Feb. 8 general elections when political opponents were prevented from running for office.

Confidence Vote Is Stalled in Lebanon

BEIRUT (Reuters) — Prime Minister Rashid Karame received two setbacks Friday when Lebanese parliamentary leaders refused to meet to give his cabinet a confidence vote and fighting broke out again in and around the capital.

The legislators said it was still too dangerous to convene for a debate on whether to give the national unity government parliamentary approval before the cabinet can begin its work.

Meanwhile, fighting broke out Friday night on the Green Line dividing the Christian and Moslem sectors of Beirut. The rightist Phalangist radio, broadcasting from Christian East Beirut, said shells were also landing on Christian suburbs away from the main battle zone, to the southeast of the capital.

School Reform Bill Passed in France

PARIS (AP) — A private-school reform bill was adopted automatically Friday by the National Assembly after opposition deputies failed in their attempt to censure the Socialist-led government on the issue.

Opposition deputies were only able to get 159 of the 246 votes necessary to censure the government of Prime Minister Pierre Mauroy. Under parliamentary rules, failure of the censure motion, which would have brought down the government had it passed, made a vote on the schools bill unnecessary.

The reform provides for phasing out state subsidies to private schools. Within eight years, subsidies will be curtailed to private schools in which fewer than half the teachers are government-licensed. Opponents have called for protest demonstrations throughout the country.

For the Record

A federal judge in White Plains, New York, announced a \$48.5-million settlement of the civil suits stemming from the fire at a Stouffer's Inn that killed 26 executives. The families of the executives as well as the 14 persons who were injured in the 1980 fire will share the award. (NYT)

West Germany and France will sign an agreement Monday in Paris on joint development of a new generation of anti-tank helicopters with infrared technology for night combat, it was announced Friday in Bonn. (Reuters)

Six ethnic Albanians in Yugoslavia were sentenced Friday in Belgrade to prison terms of 4 to 13 years for anti-state activities and smuggling arms into the country, bringing to nearly 700 the number of people jailed following Albanian nationalist riots in Kosovo province in 1981. (Reuters)

Ferry services to and from all British ports will be stopped May 30 and 31 by a strike called by the National Union of Seamen to protest the Conservative government's planned sale of Sealink, which operates cross-Channel ferries as part of state-owned British Rail. (Reuters)

Gabriella Trivelpiece of Italy has been freed after serving little more than a year of her three-year prison sentence for photographing military sites. Bulgaria's state-run BTA agency said Friday. (AP)

Ethiopian MFG fighters bombed and strafed the village of Abudway in central Somalia in the third cross-border Ethiopian air raid in five months, Radio Mogadishu said Friday. (UPI)

Japan and Brazil signed a science and technology pact Friday during a visit to Japan by President João Baptista Figueiredo, it was announced in Tokyo. (UPI)

Hundreds of thousands of travelers endured the second day of a 48-hour rail strike in France on Friday, but officials said more trains were expected to run than Thursday. (Reuters)

Alexander Solzhenitsyn, 65, the exiled Soviet author and Nobel Prize winner, was awarded an honorary degree by Holy Cross College in Worcester, Massachusetts, on Friday. He made no speech. It was believed to be his first public appearance since June 1978. (AP)

Navy Downs Exocets in U.S. Ship Test

By Fred Hiett

Washington Post Service

WASHINGTON — The U.S. Navy tested its ship defenses against Exocet missiles, which fly close to the water, during the last two weeks and knocked down three of four, military officials say.

The French-made Exocet was used effectively by Argentina against British ships during the Falkland Islands war of 1982 and is now being used by Iraq against unarmed oil tankers in the Gulf.

Congressional critics of the Reagan administration's naval buildup frequently cite the Exocet as the best example of new technology threatening the usefulness of surface ships.

Navy officials were pleased that their Phalanx weapon system successfully engaged the Exocets, sources said Thursday. The Phalanx is a modern Gatling gun used against targets at close range that fires 3,000 rounds a minute. It uses ammunition made of nonradioactive uranium because it is dense and flammable.

The Navy officially declined to discuss the results of the tests, reportedly for fear of antagonizing the French or British allies.

The tests represented the Navy's second effort in recent weeks to show that its ships can defeat sea-skimming missiles, the most difficult of spot with radar.

The cruiser Ticonderoga recently conducted several tests of its Aegis radar system against sea-skimmers. Admiral James D. Watkins, chief of naval operations, called those tests a major success.

The tests of Exocets, conducted on a weapons range off the West Coast, pitted a British destroyer firing Exocets against an old U.S. destroyer defended by a Phalanx gun. Three Exocets, including one flying only eight feet (2.4 meters) above the water, were destroyed by the Phalanx.

Seoul to Hospitalize Man In Mock Attack on Pope

The Associated Press

SEOUL — Lee Joon Kyu, the South Korean who fired a toy pistol near Pope John Paul II during his visit here on May 6, will be hospitalized and treated for schizophrenia and will not be indicted, city prosecutors said Friday.

Mr. Lee, 22, fired his toy gun at the bulletproof papal vehicle during a motorcade in Seoul.

Iraq Claims It Hit 8 Vessels in Gulf

(Continued from Page 1)

an threats to close the Strait of Hormuz. It would be militarily difficult and it would soon be reopened with the help of the major powers," Mr. Yamani said, a reference to a U.S. pledge to keep the Strait open.

But in London, a senior Lloyd's official said at a press conference that any move by Lloyd's to refuse coverage to ships willing to risk the voyage to the Gulf was unthinkable.

"I see no practical possibility of cancellation or that insurance would be unavailable to and from Gulf ports," said the official, Stephen Merrett.

The White House press secretary, Mr. Spokes, was reminded by reporters Friday that President Ronald Reagan had pledged in February "to do what is necessary" to keep open the Strait of Hormuz, which leads into the Gulf.

He replied: "The point is we're doing what we can and we're doing

what we feel is necessary. There's no backing off."

Mr. Spokes said Mr. Reagan had discussed events in the Gulf for 20 minutes Friday with Defense Secretary Caspar W. Weinberger, Secretary of State George P. Shultz, his national security adviser, Robert C. McFarlane, and others.

Mr. Spokes also said that Prince Bandar bin Sultan, the Saudi ambassador to the United States, met Friday with officials on the National Security Council staff.

On Thursday, a State Department spokesman said that in Thursday's attack, an Iranian F-4 Phantom fighter hit Chemical Venture, a Liberian-registered tanker, with a missile, and that Saudi Arabian fighters had chased the Iranian aircraft. This supported reports received by Lloyd's in London.

But the State Department report was denied by the Saudi Arabians, possibly, according to Gulf analysts, because they did not want to give the impression of being involved in the conflict.

Perhaps for the same reason, the analysts said, Riyadh radio on Friday quoted Saudi officials as saying the Chemical Venture had been hit outside Saudi waters. Most shipping sources had said it was within these waters.

Friday's statement in Baghdad, as usual, did not specify the types of vessels involved but said they had been sailing in convoy. The Iraqi Navy and Air Force set off their ablaze, the statement said.

It added that the attack proved Iraq's ability to blockade all Iranian ports at the head of the Gulf and to destroy any vessel that tried to approach them.

Mr. Weinberger confirmed Friday that the administration was considering supplying Saudi Arabia with Stinger portable anti-aircraft missiles to help defend ships.

In Tehran, the speaker of Iran's parliament, Hashemi Rafsanjani, said Thursday that Iran did not intend to expand the war to involve Saudi Arabia.

(AP, UPI)



Prime Ministers Bettino Craxi of Italy and Felipe Gonzalez of Spain held a press conference Friday in Madrid following their talks on the Common Market and NATO.

Craxi Repeats Backing for Spain in the EC

Reuters

MADRID — Prime Minister Bettino Craxi of Italy reaffirmed Friday his support for Spanish entry into the European Community and said he hoped Spain would remain a member of NATO.

"While respecting the sovereignty of the Spanish state we repeat our opinion, in which we also have an interest, that Spain should be in the European Community and in the Atlantic alliance," Mr. Craxi said at the end of a two-day working visit to the Spanish capital.

His statement echoed similar remarks made in Madrid last week by Chancellor Helmut Kohl of West Germany, who also explicitly linked the two issues.

Spain's Socialist government, which is seeking EC membership in 1986, is committed to holding a referendum within the next two years on staying in the North Atlantic Treaty Organization.

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U.K. Asserts EC Position

(Continued from Page 1)

newed previous British calls for broad trade liberalization within the community, including opening of domestic markets, simplifying frontier controls and liberalizing trade in services, a fast-growing sector that includes insurance, banking, shipping and construction.

He also repeated his government's determination to seek a settlement on its demands for a substantial and permanent reduction in annual contributions to the EC budget.

In his talks with reporters, he said that virtually no progress was being made in resolving the dispute, despite what an aide described as "continuing high-level diplomatic activity."

British officials said they expected that the issue would remain deadlocked until after the election, June 17 to the European Parliament, and possibly until the next EC summit in Fontainebleau, France, on June 25 and 26.

Sir Geoffrey said that the issue went beyond Britain, and that the central issue was establishing "a lasting system to insure that in the future, no member state had to pay more than its fair share of the community budget."

There can be no "relaunch" of EC activities, including increasing the community's funding, he said, until agreement is reached on a fairer distribution of budget contributions and on reducing the EC's spending. Sir Geoffrey said that current EC spending levels will lead to a budgetary deficit of 2.7 billion European Currency Units (\$2.2 billion) this year.

Sir Geoffrey said that Britain "is willing to resolve the remaining differences in time" for the Fontainebleau summit, but that "what is needed now is an effort by all of us to reach an agreement."

"Every step we take to meet the other nine has to be paid for exclusively by the United Kingdom," he said, "whereas every step our community partners take to meet us is shared among the nine."

The assembly's influence on the European Community is "unmistakable, but almost impossible to pinpoint specifically," he said. Its greatest success in its first five years as a directly elected body has been its use of budgetary powers, he added.

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Leader Asks More Power for EC Parliament

Reuters

STRASBOURG, France — The European Parliament urgently needs more powers if it is to survive into the 1990s, Piet Dankert, the president of the parliament, said Friday.

In a speech closing the assembly's last session before elections next month, he said the next Parliament would have to expand its legislative powers to establish its identity among voters.

"We can be held responsible only if we have some real responsibility," said Mr. Dankert, a Dutch Socialist. "Our legal legitimacy must become political legitimacy. Only in this way will the European Parliament and its system of direct elections survive into the 1990s."

Mr. Dankert said that the Parliament had almost reached the limit of its capabilities by stretching its existing powers to the full "like a piece of elastic."

The assembly's influence on the European Community is "unmistakable, but almost impossible to pinpoint specifically," he said. Its greatest success in its first five years as a directly elected body has been its use of budgetary powers, he added.

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U.S. Executives Assail Government Curbs on Trading With Russians

By Raymond Bonner

New York Times Service

NEW YORK — American companies are losing at least \$10 billion a year in sales to the Soviet Union because of U.S. government restrictions, according to C. William Verity Jr., the chairman of the executive committee of Amco Inc.

Mr. Verity is co-chairman of the U.S.-U.S.S.R. Trade and Economic Council, a private organization of 220 American companies and 125 Soviet foreign trade enterprises, said "trade is trade" and should be separated from political issues.

Mr. Verity made the remarks during a news conference and interview Thursday at the conclusion of two days of meetings of the council in New York. The council, which was set up in 1973 as part of détente, last met in 1982.

Clarence J. Brown, deputy secretary of commerce, told the council during a luncheon address that "trade cannot be separated from everything else." Export controls are needed for national security and foreign policy reasons, he said.

A high-level Soviet trade and economic delegation was headed by Vladimir N. Sukhov, the deputy minister of foreign trade and co-chairman of the trade council with Mr. Verity, and Nikolai N. Inozemtsev, the deputy chairman of Gosplan, the state planning committee. Anatoli F. Dobrynin, the

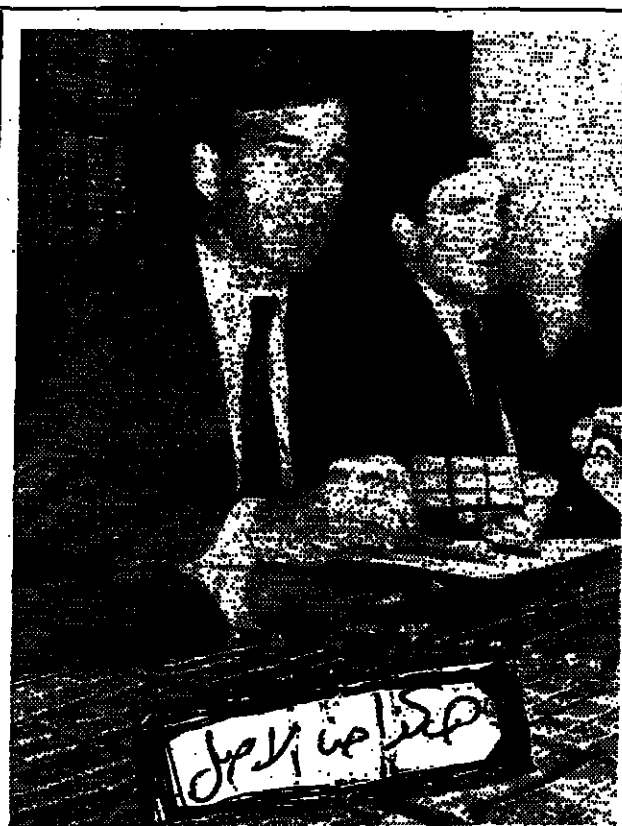
Soviet ambassador to the United States, also attended.

That the Soviet Union went ahead with the meeting in view of its cancellation of participation in the Olympics, suggests that the Russians view improved relations with the American business community as having political as well as economic benefits. Mr. Verity said the Soviet leaders had an inflated view of how much influence American business leaders have in Washington.

The business camaraderie that marked the council's meeting was reflected on the dais for Thursday's closing luncheon. David Rockefeller, the banker, Donald M. Kendall, chairman of PepsiCo Inc., Dwayne O. Andreas, chairman of the Archer-Daniels-Midland Co., and John J. Murphy, chairman of Dresser Industries, sat side by side with Communist leaders.

Trade between the United States and the Soviet Union, which fell to \$2.3 billion last year from \$4.5 billion in 1979, could be in the range of \$22 billion to \$25 billion, Mr. Sukhov said.

Many of the government restrictions, usually in the form of denials of export licenses, have been imposed to protest Soviet actions, such as the military intervention in Afghanistan. In addition, the Reagan administration has sought to deny the Russians access to much of American technology.



CONFISCATED CIRCUITS — John M. Walker Jr., assistant U.S. Treasury secretary, holds a confiscated microcircuit as he and U.S. Attorney Rudolph Giuliani, right, announce the indictment of Yuri Geifman. Mr. Geifman, 31, a Soviet Jewish émigré, is charged with selling \$9,000 in restricted computer parts to a West German company for subsequent shipment to the Soviet bloc. He is being held on \$200,000 bail in New York.

Senate Committee Cuts Reagan MX Plan in Half

By Margaret Shapiro and Walter Pincus

Washington Post Service

WASHINGTON — The Senate Armed Services Committee has approved a \$299-billion military authorization bill for fiscal 1985 that cuts in half President Ronald Reagan's request for the MX missile and eliminates money for the production of chemical weapons.

The plan allows military spending to increase 7.5 percent above inflation and approves a 4-percent pay increase for military personnel. The administration had sought a 5-percent increase for personnel, while the House Armed Services Committee agreed to 3.5 percent.

The total of the committee's military package is \$6 billion below what Mr. Reagan requested and reflects a compromise between the president and Senate Republican leaders in February. No date has been set for full Senate debate of the arms spending bill.

The House committee's version of the bill provides a 6-percent real increase in defense spending. The House debated the bill this week before adjourning late Thursday for the Memorial Day recess.

In related action Thursday, Defense Secretary Caspar W. Weinberger was named by the Senate Appropriations defense subcommittee that the administration could face even larger defense spending cuts. The subcommittee's chairman, Ted Stevens, Republican of Alaska, told Mr. Weinberger that the Pentagon is spending too much on personnel and threatened to eliminate 22,000 new military positions requested for next year.

In its version of the defense bill, the Senate Armed Services Committee reversed its position on nerve gas. For two years, the Senate has backed administration requests

to resume chemical weapons production, while the House has vetoed it.

The committee chairman, John G. Tower, Republican of Texas, said Thursday that the panel reluctantly decided not to push the issue again this year because "in an election year, Congress is unlikely to take favorable action" on such a controversial program.

Mr. Reagan also lost his effort to get funds for 40 MX missiles; the committee instead agreed to provide funds for production of 21 missiles.

The House voted last week to provide money for only 15 missiles and delayed its release until next April to see if the Soviet Union returns to arms-control talks. If it does, the money will stay frozen.

The Senate committee bill allows release of MX funds as soon as the fiscal year begins, Oct. 1. Mr. Weinberger said Thursday that the administration would try to overturn the House restrictions when a House-Senate conference committee meets to resolve differences over the bills.

The committee also eliminated language approved last year that prevents the Pentagon from testing satellite-destroying weapons against a target in space unless the president certifies that he is trying to negotiate a ban with the Soviet Union on the weapons.

The White House objected to that provision, and the committee decided to allow testing in space as long as the president certifies that it is "essential" to arms-control efforts.

The committee language, if approved by the full Senate, would likely provoke a fight in the House. The House on Wednesday voted to prohibit testing of the anti-satellite weapons in space unless the Russians resume testing theirs.

Mondale vs. His Image

Crowd in New Mexico Is Uninspired

By Bernard Weinraub

New York Times Service

SANTA FE, N.M., May 26 — Beneath the mesquite and cottonwood trees of downtown Santa Fe, two doctors watched as Walter F. Mondale denounced the policies of President Ronald Reagan.

"Is there any real difference between Mondale and Hart?" asked Dr. Paul Kovnat. Their positions are so similar, I guess the question is, who's going to beat Reagan? The physician said he was going to vote for Senator Gary Hart in the primary here June 5.

Beside him, Dr. Larry Shandler said that Mr. Mondale's remarks were "not inspiring." "Mondale said the right things but not in a convincing way," he added.

Although Mr. Mondale was warmly received here Thursday by the crowd of 400, his visit underlined the growing difficulties he faces. Although he attracts crowds, he is often unable to stir them.

"I think many people care about our primary, but not many people are inspired by Mondale," said Dr. Shandler. "From what I can see, there's no clear-cut favorite here."

In a day that included stopovers here and Albuquerque before he flew to San Diego, Mr. Mondale appealed for votes on June 5. He focused his first campaign stop, in

Albuquerque, on the Hispanic community, which constitutes 37 percent of the state's 1.3 million population.

In Santa Fe, Mr. Mondale spoke of the budget deficit, the administration's "failure" to undertake arms control talks and Central America.

The contest in the state, in which 23 convention delegates are at stake, has been dwarfed by the other presidential primaries on June 5, in California and New Jersey. Mr. Mondale and his key rival, Mr. Hart, have been shuttling between these two states.

In Albuquerque, Mr. Mondale couched his criticism of the policies of the Reagan administration to ward minorities with a vow to hire Hispanic citizens if he were elected.

"You've always been overrepresented in every war," Mr. Mondale told the 12th annual conference of National Image Inc., a Hispanic organization that seeks to promote Hispanic employment in government and private industry.

"You've always been overrepresented every time medals of valor are handed out," he added. "But you've always been grossly underrepresented when decisions are made affecting your life and the life of your children and your future here in this country. And that's got to be changed."

Clyde A. Farnsworth Is Dead at 76; Was a U.S. Foreign Correspondent

New York Times Service

WASHINGTON — Clyde A. Farnsworth, 76, a foreign correspondent for The Associated Press, the Scripps-Howard News Alliance, The Chicago Tribune, Time Magazine and The New York Times, died Thursday of cancer at Arlington Hospital.

During World War II, Mr. Farnsworth was based in Egypt and China. He was the father of Clyde H. Farnsworth, a correspondent for The New York Times.

Other deaths: Luigi Polano, 87, one of the founders of the Italian Communist Party in 1921, Thursday at his home in Sassari, Sardinia.

Joseph E. Moody, 81, a former president of the Southern Coal Producers Association and later of the National Bituminous Coal Operators Association, industry trade groups, Tuesday of Alzheimer's disease at his home on Cape Cod.

Betancur's Peace Efforts Losing Support

By Jackson Diehl

Washington Post Service

BOGOTA — After nearly two years of peacekeeping efforts in Colombia and the region, President Belisario Betancur is losing domestic support for his initiatives and is under pressure to shift to a harder line.

The reformist Colombian leader persuaded his country in 1982 that his government could achieve peace with Colombian insurgents and between battling factions in Central America. Such settlements, he said, would be the "transcendental goal" of his administration.

Yet after dozens of meetings, critics here say the four-nation Contadora group that Mr. Betancur helped to create appears stalled in its efforts to arrange a regional accord in Central America. The group, made up of Colombia, Venezuela, Mexico and Panama, is named for the island where it first met.

Meanwhile, a tenuous cease-fire with the largest of Colombia's own insurgent groups, meant to be a model of national pacification, has met with skepticism.

Political opponents have called Mr. Betancur a failed idealist who confused political imagery with actual progress. Ministers say public pressure has forced the president to reduce his profile as a mediator in Central America, and they say his peace policies may be running out of time.

Within the next several months, the government's internal peace commission must reach a settlement with the four Colombian guerrilla groups still at war or abandon such efforts, members of the country's peace commission say. During that time, Mr. Betancur's trust with the largest group, the Colombian Revolutionary



Belisario Betancur

Armed Forces, will be tested. In addition, the Contadora group will attempt to negotiate a Central American peace treaty.

"It is an important moment," said the foreign minister, Rodrigo Cedeño Lloreda, recently. "We are not facing opposition so much as skepticism." Mr. Lloreda arrived this week in Washington for talks with Secretary of State George P. Shultz and other administration officials.

The Colombian government itself seems to have lowered its expectations. Officials say they hope the peace commission will begin its work next Monday with the 9,000-member Colombian Revolutionary Armed Forces will demobilize the group over the course of a year and have a decisive effect on peace talks with other rebel movements, including M-19, the group that seized the Dominican Republic Embassy in Bogotá in 1980.

However, as Mr. Lloreda said: "What we don't know is how far the peace will go. The guerrilla organizations don't respond to a rigid command structure. And so if there are 27 units of the FARC, we don't know if it will be 15 or 22 or 27 that accept peace."

On Contadora, the Colombians hope that a draft treaty along with proposals for commitments by Nicaragua and El Salvador on their internal affairs will be ready to be presented to Central American governments next month.

Mr. Lloreda acknowledged, however, that Contadora had become at best a secondary alternative for the region's warring powers.

The United States and Cuba and the Soviet Union have not ruled out the possibility of arriving at a solution through the negotiations of Contadora, he said. "That is because they are not sure that their own [military] strategies will be successful. If those strategies don't work out, maybe they will need Contadora."

A principal factor in the declining public support for the peace efforts at home and abroad has been a strong surge in violence within Colombia, several political analysts said. Since Mr. Betancur's government took office, the country's five guerrilla groups have appeared to expand their numbers and military activity.

The opposition points out that following the government's amnesty for guerrillas in December 1982, several leaders of M-19 were released from prison only to return almost directly to armed struggle. M-19 claimed responsibility for seven bomb explosions that damaged U.S. and Honduran interests in Bogotá on Tuesday and Wednesday.

"The guerrillas have simply taken advantage of the peace policies for their own purposes," said Carlos Lemos, a former foreign minister. "They will never accept peace unless the peace means an overthrow of the system. And the truth is they have already weakened the system."

The troubles in Colombia have increased public support for a recent crackdown on guerrilla organizations, according to several political analysts. At the same time, the disenchantment has appeared to limit Mr. Betancur's ability to act as a leader in the Contadora negotiations abroad.

The idea has been growing among the public that Mr. Betancur has spent more time on the problems of peace in Central America than on the problems of peace in Colombia," Mr. Lemos said, "and that this is responsible for the deterioration of public order in the country."

The president has also come under pressure from the conservative military, which only grudgingly accepted the 1982 amnesty and protested his negotiations with the Colombian Revolutionary Armed Forces. The military also attacked Mr. Betancur's moves toward restoring suspended diplomatic relations with Cuba, which with Moscow was believed to have backed Colombian guerrillas.

Havana is a major factor in Central America, government officials say, and the Colombians thus need to improve relations if they are to succeed as mediators.

Because of the political linkage of the internal and foreign peace policies here, many observers believe the key test of Mr. Betancur's overall program may turn out to be the peace with the Colombian Revolutionary Armed Forces.

Under the terms of the peace treaty signed in March, the insurgent units and the army are to cease operations against each other for a year while the guerrillas reorganize as a political party.

The government's peace commission president, John Agudelo, said he expects the peace to effectively mean an end to warfare for 80 percent of Colombia's guerrillas. In part because of the vagueness of the agreement, however, the initiative has been subject to criticism from both the left and right.

U.S. Sees Cover-Up in Nuns' Slaying

Reuters

WASHINGTON — A State Department report says that Salvadoran military officers tried to cover up involvement by high-ranking officers in the 1980 killing of four U.S. churchwomen.

The report was released on Thursday after a jury in El Salvador convicted five Salvadoran guardsmen in the murder. It said that evidence that higher officers had ordered the killings was contradictory, but that the State Department did not believe they had done so.

"We believe it is quite possible" that General Carlos Eugenio Vides Casanova "was aware of and for a time acquiesced in the cover-up," the report said. General Vides Casanova, who at the time of the murders was head of the National Guard, now is El Salvador's defense minister.

The report conflicted with statements by President-elect José Napoleón Duarte of El Salvador that his own investigation found there was no cover-up and "no connection to General Vides Casanova," whom he intended to reappoint.

The report was prepared for the State Department by a retired U.S. judge, Harold Tyler, and kept secret until after the trial had ended.

A spokesman for the State Department, John Hughes, said U.S. officials would continue to pursue allegations of involvement by high officials in the killings.

It said that there was indisputable evidence that Sergeant Luis Antonio Colindres Alemán, whom the report said ordered the killings, confessed to ranking National Guard members within days. Sergeant Colindres Alemán was among those convicted Thursday by a jury in El Salvador.

The high officials "responded by concealing this fact from the outside world, and ordering the transfer of the killers from their airport posts and the switching of their weapons to make detection more difficult," the report said.

It said that Sergeant Colindres Alemán's commander, Major Lázaro Zepeda, was "particularly implicated in these acts."

"It is probable," the report said, that Colonel Roberto Monterroso, head of the government's official investigation of the crime, also participated by failing to provide Sergeant Colindres Alemán's fingerprints to U.S. investigators.

But the report concluded that, although the evidence was contradictory, high-ranking officers probably did not order the murders.

"On the basis of the evidence available to us, we believe that Colindres Alemán acted on his own initiative," it said.

Two low-ranking guardsmen testified that Sergeant Colindres Alemán told them he was acting on higher orders, the report said. But it said "the circumstances of the crime itself and Colindres Alemán's behavior during its commission are, in our view, inconsistent with an assault on the churchwomen ordered from above."

Prosecution of the five guardsmen was not ordered until U.S. officials learned of their involvement and pressed for their arrests.

The possibility of General Vides Casanova's acquiescence to the cover-up, the report said, was raised by the fact that he was head of the National Guard when the three nuns and a lay worker were killed Dec. 2, 1980.

The report said it seemed unlikely that a mid-level officer such as Major Zepeda, Sergeant Colindres Alemán's commander, "would have undertaken the obstructive actions he did without approval or encouragement from someone higher."

Is 'Yellow Rain' Natural? Experiments Cast Doubts

By Philip M. Boffey

New York Times Service

GHEENT, Belgium — Two Canadian experiments have cast doubt on the theory that the "yellow rain" poisons found in Southeast Asia might be a natural occurrence rather than chemical warfare agents, according to reports presented at an international conference on chemical weapons, which ended here Wednesday.

Dr. H. Bruno Schiefer, director of the toxicology research center at the University of Saskatchewan, and Dr. Hugues Cohen, a research scientist for the Canadian government's agricultural agency, both reported that fungi collected in Thailand show little or no ability to produce the poisons associated with the reported yellow rain chemical warfare.

They concluded that such fungi are almost certainly not responsible for producing the poisons found after reported yellow rain attacks in neighboring Laos and Cambodia. Their experiments appeared to lend credence to charges by the U.S. government that such attacks are a new form of chemical warfare used by the Soviet Union and its allies.

However, Dr. Matthew S. Meselson, the leading proponent of the view that yellow rain poisons are produced in nature by fungi that grow on the feces of bees, discounted the findings because of the small number of fungus samples collected. He said there might well be sites in Southeast Asia where fungi do produce the yellow rain poisons.

"We're just at the beginning of looking," said Dr. Meselson, a Harvard expert on chemical warfare.

Dr. Schiefer said he collected more than 20 plant and soil samples from various parts of Thailand in 1982 and found that none of them contained any toxin at all.

Dr. Cohen reported a striking difference in results when she tried to coax fungi from Canada and from Thailand into producing poisons. The fungi from Canada produced a high level of poisons when grown on pollen and rice, with the highest concentration of all occurring in the pollen.

Some scientists took this as a hint that fungi growing naturally on bee feces, which contain digested pollen grains, might well be able to produce poison, as Dr. Meselson has suggested.

But Dr. Cohen argued that the Canadian fungi would be unlikely to produce such high concentrations of toxin under natural conditions. She stressed that the fungi from Thailand did not produce any poisons at all in her laboratory.

A U.S. scientist, Joseph D. Rosen, of Rutgers University, noted

that he had previously analyzed a sample of yellow rain and found not only fungal poisons but also a man-made chemical, known as polyethylene glycol, that could not have been produced naturally. He called this "one of the most powerful pieces of evidence in the debate over whether yellow rain is a natural occurrence or was put there by the intervention of man."

Tuesday, the director of the toxicology department at the State University of Ghent, Dr. Aubin Heyndrickx, said his laboratory had detected yellow rain poisons in the bodies of 10 Iranian soldiers attacked by Iraqi chemical weapons and in six samples of environmental materials from Cambodia.

Ford to Attend Convention

United Press International

DALLAS — Former President Gerald R. Ford will be at this summer's Republican National Convention, Ron Walker, the convention's manager, said Thursday. Former President Richard M. Nixon will not attend, Mr. Walker said.

AMERICAN TOPICS

Inventors at Work To Help the Elderly

More than 80 percent of Americans, according to the House Select Committee on Aging, are expected to live beyond 70, and gerontologists in Miami and Palo Alto, California, have been inventing devices to lighten the burden of the elderly.

There are "grabbers" to eliminate bending, and a kitchen knife that requires only half the usual muscle power. A robotic arm works at voice command and a mechanical pet scurries up to doors to check security.

Black Welder Wins Discrimination Suit

A black welder in Michigan has been awarded a record \$1.5 million in damages as the result of a lengthy discrimination suit. Ben Citchen, who used to work at the Firestone Auto Products plant in Wyandotte, Detroit, was found by the Michigan Civil Rights Commission to have been the victim of acts of harassment. The plant has since closed.

Mr. Citchen said he had found dead rats, mice and fish in his locker, that nooses had been hung near his workplace and that he had found nails in the shape of a cross. He had to remove all these himself, he said, because supervisors took no action when he complained. After a series of incidents, Mr. Citchen was fired in 1976, though no action was taken against his persecutors.

Maryland Immigrants Reject Bilingualism

Parents of children in four high schools in Montgomery County, Maryland, were asked whether they preferred the medium of instruction to be in English, in their native language, or in a mixture of the two. A federally financed program, English for Speakers of Other Languages, found that 99 percent preferred English, according to the project director. The children, mostly Spanish or Vietnamese speakers, also said they found the English instruction the most helpful, with only 3 percent disagreeing.

Vault in Baltimore Conceals Its Secrets

The Gilman Hall vault at Johns Hopkins University in Baltimore has been sealed for 30 years; and its contents are a mystery. Unsuccessful attempts to open it have included four students with stethoscopes and listening devices competing for a university-sponsored cash prize. A professional locksmith has now been called in. There is speculation that the vault may contain two mummies mislaid by the archaeology department many years ago.

Rickover Lambastes Parents and Students

Retired Admiral Hyman G. Rickover announced in Washington on Thursday the inauguration of the Rickover Science Institute, a six-week summer program of math and science designed to serve as a model for educating gifted students. The admiral, who is 84, often described as the father of the United States' nuclear Navy, had some hard words for parents, who, he said, "spend too

much time playing bridge."

Asked whether students at the institute might be discontented upon returning to regular high schools, he said, "I hope to hell they're discontented and start working hard and stop loafing like most of the high school students do."

Slow Beer Drinkers Need Not Despair

A device pioneered in Portland, Oregon, can help a drinker "chug" 40 ounces (just over 2 liters) of beer in three seconds. Although the device could, according to experts, cause unconsciousness or death, Oregon officials say it is not illegal. "Chug King" advertisements show an unshaven man with a large belly holding the end of a hose linked to a tankful of beer and claiming: "Gravity will put the beer into your stomach in just seconds."

Canonization Sought For New York Prelate

The Roman Catholic Archbishop of New York, John J. O'Connor, has announced that he will seek to have his predecessor, Cardinal Terence J. Cooke, declared a saint. Cardinal Cooke died of cancer in October, after refusing medication for the terminal stage of the disease. He said that he hoped by conscious suffering to win grace for the world.

For five years after his death, in the first stage of the canonization process, the archdiocese of New York will gather documentation to support the beatification.

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Cardinal Terence Cooke

ARTS / LEISURE

The Possibilities and Pitfalls of 'Antiquities' Sales

International Herald Tribune
LONDON — The art market consists of planets whose orbits never intersect — categories of works of art whose prices are unrelated, categories of buyers whose behavioral patterns diverge dramatically.

Watching Sotheby's sale of "Antiquities" in London, after the New York Contemporary and Impressionist firework, was like having walked out of a bubbling dream into bleak reality.

Richard Cane, one of Sotheby's best auctioneers was conducting the show with businesslike efficiency, his firm, polished tone occasionally lapsing into a rumbling murmur. This was a mid-season sale aimed at dealers, with little advertising. Inexperienced amateurs do not turn up on such occasions, and old collectors generally choose not to be seen — they leave commissions. These factors help to make the sale run smoothly in a slightly drowsy atmosphere. The very nature of "antiquities" acts as a further deterrent on beginners.

The loose denomination covers any surviving form of visual art from the Ancient World, western and eastern. The pieces may vary from Roman marble heads to Egyptian bronzes or Syrian glass of the early Christian period. But they

all share a feature — they are patinated by the passage of time. Many are restored, few are showy. It takes a trained eye to tell a good from a mediocre piece or to assess the extent of repair work that can make all the difference in the world to prices.

Even more disquieting to the non-specialist is the vagueness that surrounds many "antiquities." By definition they are the product of uncontrolled excavations because archaeologists do not sell. Those

who carry out such excavations do not release information on what was found where and under which circumstances.

The amount of proper archaeological excavation work and the ensuing yield amassed in museums is minute compared with the large-scale, illicit digging that goes on. The areas affected in Europe are essentially the Etruscan sites in central Italy and Greek sites in Cyprus.

In the Middle East, historical Syria including the Lebanon and Palestine, the Iranian world including present-day Afghanistan can be considered disaster areas. Entire aspects of the art of these areas, known only through such digging, are scattered the world over and unaccounted for.

Uncertainty is the strongest deterrent in the art market. It will discourage all but those who think of themselves as qualified to identify the objects historically and authenticate them. That leaves museums, a few collectors, some buyers concerned with decoration and dealers, in short, professionals who are not normally prone to getting excited.

This is strongly reflected in the price pattern. Not infrequently, the items sell below the estimates of the auction houses. Monday's sale provided some striking illustrations of the rule. It started with glass vessels. The majority were of Syrian origin although the catalog did not say so, and covered the first six centuries of the Christian era.

The first good piece was a typical opaque white flask rising from a ring foot with cylindrical body. A rounded shoulder carried a short tubular neck with everted rim. The flask which carried a £1,500 to £1,800 estimate was knocked down at a more reasonable £1,250 — or £1,375 (about \$1,900) with the added 10-percent charge.

Seconds later a job lot of nine pieces, some good, was the object of a contest between two dealers. Cohen in Paris and Rinaldi, formerly of Tehran, now established in London. The successful £380 bid was Cohen's, leaving it still £20 below Sotheby's low estimate. A little more was elicited by an attractive

aubergine-colored small bottle and a pale green flask knocked down together at £400 to Donna Jacobs of Birmingham, Michigan. But this did not last. Immediately after, three good dishes were quickly bought by Charles Ede of London for £270 — £297 with the premium — which is 10 percent less than the low estimate.

In striking contrast to what would happen in a sale of old master drawings, there was little difference in price between the finest and the more ordinary wares. A remarkably handsome beaker of bluish-green glass with flaring vertical sides decorated with dark blue-green spiral trailing was bagged by Jerome Eisenberg of New York at £340. What was perhaps the most beautiful piece in terms of shape and coloring, an aubergine pear-shaped bottle with slender neck, went up to £450.

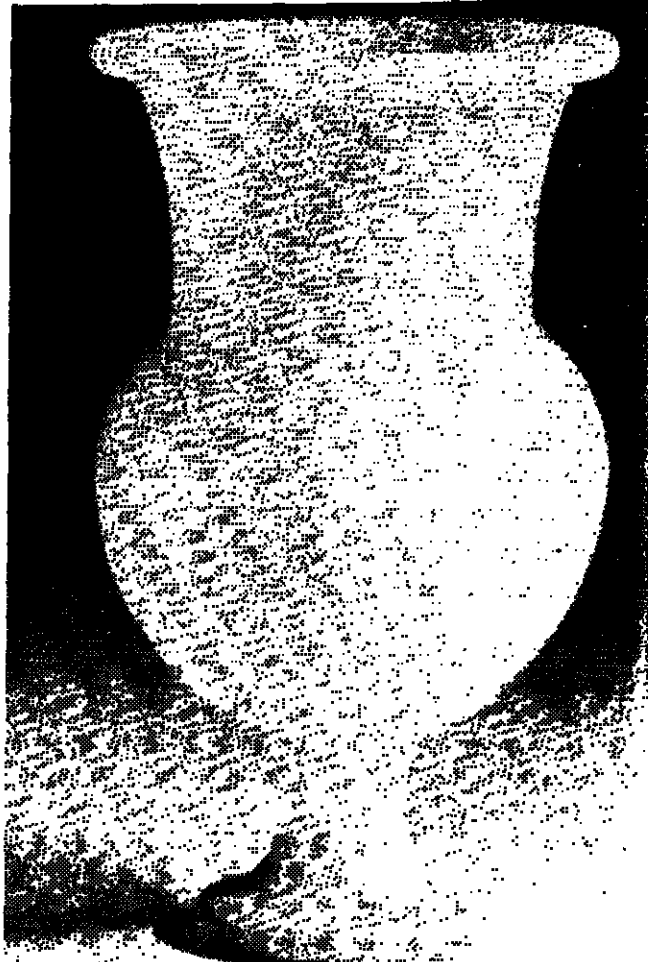
That aesthetics had little to do with the low-keyed bidding pattern was further demonstrated when it came to excavated bronzes from various parts of the Ancient World. The rarest piece in that section was perhaps the figure of a seated lioness from Iran dating to the Parthian period, ca. 100-200 A.D. It was knocked down to Jerome Eisenberg at £500, well above the £300 high estimate, but still inexpensive at that price. The patina on the well-preserved piece is excellent although, the murky reproduction in the catalog suggests a badly corroded almost shapeless piece. A couple of highly stylized bronze figures of the 24th millennium B.C. from Syria were downright cheap at £220.

With Egyptian art, the room woke up a bit. A very beautiful alabaster vase of a well-known type, made between the 16th and 13th centuries B.C. reached its highest estimate, knocked down at £1,200. So did a bronze figure of the goddess Mut, datable to the early 1st millennium B.C., at £2,000.

Here and there, the larger pieces sold above estimates, reflecting the lingering reverberations of the Tunkhamen show. A fragment from a polychrome painted-wood sarcophagus of the "Late Period," probably not earlier than the 6th-5th century B.C., was knocked down at £1,600, one-third above the high estimate, despite visible damage. There was crude repainting over the hairdo, and lower down, repainting was peeling off. But any institution with a small study collection would want such a piece, the archetype of Ancient Egyptian art, however undistinguished.

For similar reasons, a bronze figure of Osiris, 23.5 centimeters (9.2 inches) high, of the 26th Dynasty went up to £6,000.

One or two dubious pieces served as useful reminders of how dangerous the field of antiquities can be. A polychrome boat which,



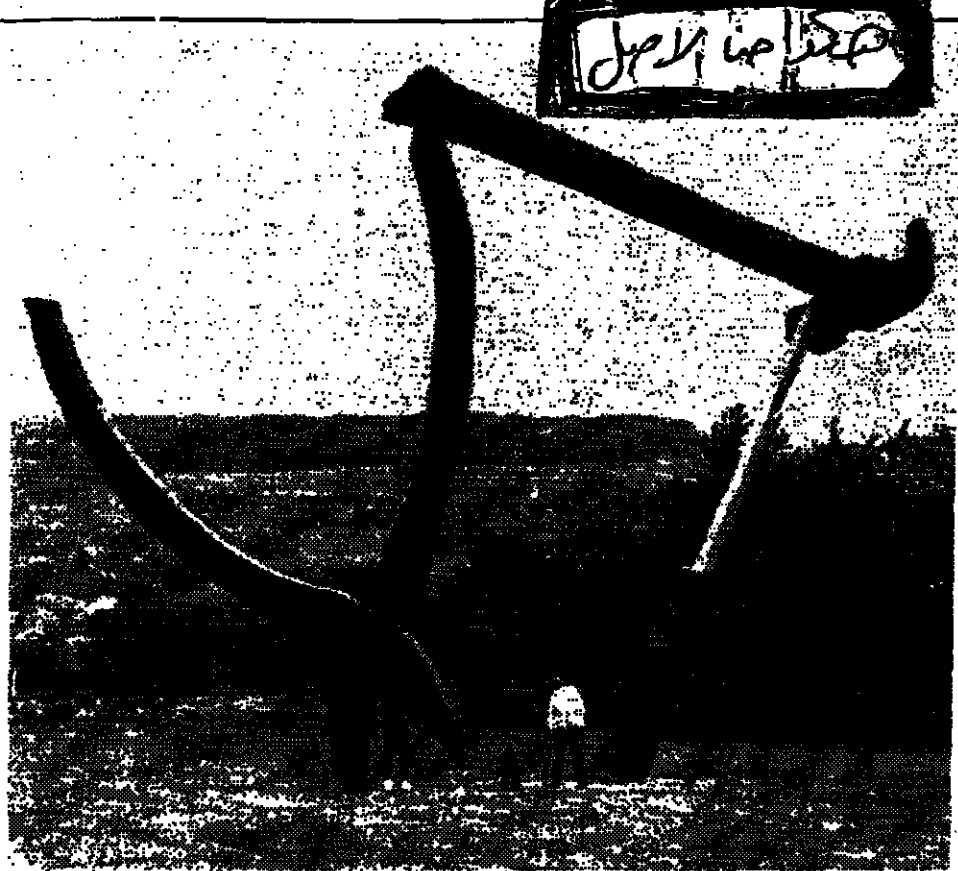
Egyptian alabaster vase was knocked down for £1,200.

a U.S. dealer said is one of the pieces that he was taken on early in his career and that he said was probably made in the '50s, had been withdrawn from the sale despite a half-page reproduction in the catalog. But one utterly improbable greystone panel carved in champlevé in a style supposed to be Coptic had survived 11th-hour revisions and was knocked down at £200 to a Paris dealer.

How much havoc such pieces can work among the public in the long run can be judged from the very low prices paid for lovely terra-cotta figurines of the type associated with the site of Tanagra in

Greece. These never really recovered from the shock that followed the exposure of countless forgeries in the 19th century. A charming figure of a woman draped, cautiously labeled "Hellenistic," was knocked down at a mere £550.

Confused awareness that such difficult areas exist in the world of antiquities contributes to searing the general public away. Of all the categories offered at auction, "antiquities" enjoy the unenviable privilege of remaining after "Islamic Art," the second most raffish one with few private collectors compared with, say, paintings, antique silver or porcelain.



"Balancing Tools," a metal sculpture created by Claes Oldenburg, has been set up in the private compound of a company owner in Weil am Rhein, West Germany. The tools, painted red, silver, black, brown and blue and weighing more than nine tons, form a gate.

Vienna State Opera Expands Its Berg Repertoire

By David Stevens

International Herald Tribune
VIENNA — With Alban Berg's 100th birthday due early next year, and the Viennese composer's two operas already in its repertoire, the Vienna State Opera has expanded its Berg catalog by turning to three of his most imposing instrumental scores and to three choreographers for stage realizations to go with them.

In the event, Berg not only supplied the music, but in two of the three cases the basis for the action. One is the "Lyric Suite" for string quartet, which recent musicological discoveries have shown to have a "secret program" relating to the composer's love affair with a married woman. The other is the Violin Concerto, which Berg dedicated to Alma Mahler, the daughter of Alma Mahler, who died at age 19 of polio, shortly after Berg's death in 1935. The novelist Franz Werfel was both the brother of Berg's lover and the stepfather of Alma Mahler. The piece is a domestic coincidence typical of the early decades of this century.

Old Master for Washington

Washington Post Service
WASHINGTON — For the first time in 10 years, the National Gallery of Art has purchased an Old Master. The Martyrdom and Last Communion of St. Lucy by the Venetian master known as Paolo Veronese. The price was not disclosed, but the painting is believed to have cost \$950,000.

For "Lyric Suite" Jochen Ulrich, director of the Cologne Tanz-Forum, has put on stage the man and his mistress, their spouses and a pair of friends to act out the drama in a mixture of classical and modern dance vocabulary, ending when the lovers return to their respective spouses and social convention. The result was an agreeably atmospheric period piece, dramatically somewhat bland, but strongly supported by John F. Macfarlane's evocative sets and costumes.

In "Wiegand" (Lullaby), originally staged last year by Jiri Kylian for his Netherlands dance theater and recreated here, the choreographer supposes three stages in the life of Manon Gropius, but at the same time identifies this role closely with the violin part in the concerto. The complex, strongly profiled choreography is worked out in terms of the girl's encounters with three male figures — a father figure, a boyfriend and death — with occasional interruptions from a group of dancers representing the turmoil of the outer world in the '30s. Macfarlane's sets and costumes and Jennifer Tipton's lighting again played a positive role in this work's strong impact.

The American choreographer William Forsythe was to have contributed a ballet to the Three Orchestral Pieces (Opus 6). Instead he came up with an expressionist-surrealist color film in collaboration with five colleagues. The film, shot in the State Opera, amounted to a series of non-sequential and mostly nonsensical events involving per-

formers and art and theater objects. It was a wild, even outrageous stab at providing some kind of visual event almost certain to be overwhelmed by one of Berg's most powerful scores.

Lilly Jacob-Schennemann and Christian Tichy were the Berg couple in "Lyric Suite." In "Wiegand," the girl was represented in her three phases by Jolanta Seyfried, Lucia Lennig and Birgit Kall, with Heinz Heidenreich a dominating death figure.

Saving the best for last, however, the evening amounted to a superb concert of Berg's music, with the Vienna String Quartet (composed of members of the Vienna Philharmonic) in an excellent performance of the "Lyric Suite" and the full Philharmonic — with Lorin Maazel conducting the final new production of his truncated tenure as director of the State Opera — in outstanding performances of the two orchestral works. The soloist in the Violin Concerto was Kyung Wha Chung, in a superbly secure and expressive performance.

Further Berg performances include the Berg Ballet Program May 28, June 6, 12, 13 and 16; "Wiegand," June 11 and 14; and "Lulu," June 15 and 18.

At the Theater an der Wien, the Vienna Festival has come up with a world premiere of its own, "Weltuntergang" (The End of the World), billed as an opera with music by the contemporary Viennese composer Wilhelm Zobl, and

with a book by Peter Daniel Wolf-kind based on a theater piece of the same name from the 1930s by Jura Soyfer, who died in a concentration camp in 1939 at the age of 26.

The often amusing, sometimes overextended piece relates the insane behavior of humankind in the face of an impending collision of the Earth with a comet, engineered by the gods. The Soyfer original was loaded with contemporary political significance of an immediacy that this updated version should have, but does not.

The result is a kind of synthesis of opera, cabaret musical comedy and related forms, with visible and audible sources in Nestroy and other authors of Viennese popular theater, as well as Brecht and Weill and other echoes from between the wars.

Outstanding in the large cast were Heinz Zednick, the mime of Patrice Chéreau's Bayreuth "Ring" production, triple cast as the god Mars, a computer expert and a clown, and Hans Helm as the astronomer who tries to warn the world of impending disaster. The colorful production was staged by Werner Goesch, with sets and costumes by Gerhard Hruby and Barbara Demuth.

Peter Kusching and the Ensemble Kontapunkte took care of the musical aspects of this production with the same seriousness that they customarily devote to the more sober manifestations of contemporary music. Further performances of "Weltuntergang" are on May 27, 30, 31.

Ife Heads Reveal Realism of Early Nigerian Art

By Michael Gibson

International Herald Tribune
PARIS — The exhibition of more than 100 works from ancient Nigeria at the Grand Palais may well be a revelation. We are inclined to think of African art as a somewhat timeless and relatively recent production characterized by a highly stylized form of "expressionism," a notion that the stunning pieces of this exhibition should help to modify.

The oldest of the works on view, the baked-earth figures found at a mining site in the Nok region, are dated to around 500 B.C. Another group of works, the Igbo-Ukwu treasure of bronze vessels, was found in 1938 by some men digging a cistern and, until it was acquired by Nigeria's Federal Department of Antiquities in 1954, one of the larger bowls was used to water goats. The ornate ceremonial objects, dated about the 9th or 10th century, are characterized by some very sophisticated craftsmanship.

But the magnificent Ife heads in brass, copper and clay are certainly the revelation of the show. The German ethnologist, Leo Frobenius, was the first European scholar to study specimens of these works, believed to date between the 12th and 15th centuries. When he went to Africa in 1910, he discovered that people kept them buried at the foot of tall trees, periodically examining them for rituals.

He acquired one for £5. Unfortunately for him, the local administrator heard about the deal and obliged him to return the coveted object. It subsequently disappeared, however, and some are inclined to wonder whether Frobenius did not manage to get away with the original work after all, leaving a copy in its place.

The major find in the area was made in 1938. A man was digging some foundations near the palace of the oba (king) of Ife when he came upon 18 exceptional bronze sculptures. Fortunately, the oba took an interest and began acquiring as many of these remarkable heads as he could, and they now belong to the Museum of African Antiquities.

The most striking thing about them is their atypical realism. They are sensitively expressive and radiate an impressive dignity and serenity. Indeed, they equal in this respect the finest bronzes of Greek or Buddhist art. This is the art of a



Bust of an oba (king).

oracle, which had commanded that these human sacrifices be offered to fend off the disaster threatening the state. The British, of course, did not understand what had happened. It was assumed that this was just a grisly local custom. The city was sacked, and the oba deposed and sent into exile.

The traditional arts of Benin began in the 15th century, when Benin craftsmen first began acquiring bronze from the Portuguese.

The oba's considerable wealth induced him to commission a very large quantity of sculptures and reliefs. Many of these were destroyed as a consequence of the punitive expedition of 1897, others have been preserved in the British Museum. Those that remain in Nigeria today are but a fraction of the country's former wealth. They are impressive in quality nonetheless and often delightful in attention to detail.

The exhibition is exceptionally interesting because it shows that African art is more varied than is usually imagined. It suggests, too, that the more complex social structures of the larger African monarchies tended to produce works of a different character from that of the smaller rural societies of Africa, works that have points in common with the art of wealthy societies of other continents and ages.

Finally, it reveals that we hardly know anything yet about the centuries of which these works are vestiges. If men digging mines, cisterns and foundations can come across such incomparable treasures, one can only imagine what further surprises the soil of Africa conceals. "Tresors de l'Ancien Nigeria," Grand Palais, to July 23.

The exhibition on Etienne Martin at Artcurial assembles several very large pieces that are nearly all characterized by the way Martin keeps the original shape of a tree or stump and yet transforms it in a subtle way. This respect of natural form is somewhat reminiscent of Japanese aesthetics, but Martin is archetypically French. The show includes a number of recent pieces along with some earlier ones and reveals the impressive quality of this artist's work.

Also at Artcurial is an interesting show assembled by Daniel Abadie of the Pompidou Center, which attempts to give a survey of the art of the 1950s in France under the title

"Un Art Autre, Un Autre Art."

Abadie has elected to illustrate the choice of two tastemakers of the period, one of them, Michel Tapié, leaning toward the "informel," the other, Leon Degaud, toward the geometrically abstract. Consequently, we have Arp, Richter, Dubuffet, Calder, Fautrier, Wols and Michaux, on the one hand, and Dewasne, Magnelli, Sonia Delaunay, Herbin, Gilioli and Damela on the other. The choice of names is merely illustrative, of course — I have not mentioned Tobey, Marino Marini, Sam Francis or Kandinsky nor a number of others. The gist of the show is that the postwar period in France was artistically thriving — and the examples afforded by the show do support this thesis.

Etienne Martin, to June 30, and "Un Art Autre, Un Autre Art," to July 28, Artcurial, 9 Avenue Matignon, Paris 8; other works by Etienne Martin are on view at the Pompidou Center to June 11.

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Fresco in Texas Called Fake

The Associated Press

FORT WORTH, Texas — When officials at the Kimbell Art Museum bought a 12th-century Romanesque fresco in 1971 for \$330,000, they thought they had a real find. Apparently they were wrong.

Museum director Edmund Pillsbury announced this week that the two-year investigation by art scholars and other experts determined that the painted "apse," a popular

fixture for several years at the museum, is probably a forgery.

Connoisseur Magazine, reporting in its June issue on the apse, said the same restorer may be responsible for other possible fakes. Other museums that "may have been duped" according to the report, include the University of Rochester gallery; the Abegg-Stiftung in Bern; the Museum of Fine Arts in Boston, and the National Gallery in Dublin.

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Cold Days in Gorki

All that is ugly and much that is dangerous in Soviet behavior is in evidence in the worsening tragedy of Andrei Sakharov. Wedded to an ideology that cannot admit error, the Kremlin can only respond to a stubborn dissenter's challenge with self-destructive vindictiveness. In this pathologically unyielding attitude, an aging scientist and his ailing wife, his tormentors fear that any concession will mark them as weak, thus exposing only their own insecurity. Still, the ultimate calamity has yet to occur. Despite a protracted hunger strike, Mr. Sakharov is presumed alive. His wife, Yelena Bonner, though cruelly denied medical treatment abroad, is apparently still with him. So long as a chance remains for granting her a decent exit, the case for doing so needs to be put calmly. The alternatives are disastrous.

To the Soviet leaders, Mr. Sakharov is a willful troublemaker who is exploiting his wife's heart condition to discredit his country. Miss Bonner is judged even more culpable because she allegedly conspired with the American Embassy during her trips — now forbidden — to Moscow from the closed city of Gorki. But whatever brave political purpose may move the couple, the responsibility for abetting it falls squarely on their jailers.

The Sakharovs have only one weapon: Their manifest decency and moderation have seized the attention of much of the world. It is not their suffering that singles them out. By Soviet standards, internal banishment is benign; innumerable other victims have been consigned to darker gulags. What makes Mr. Sakharov different is his gallant advocacy of humane values at the cost of the privileges his genius and service to the Soviet state once gained him.

He began to speak out in 1961, when he urged Nikita Khrushchev to ban nuclear testing. Though he spurned the advice, Khrushchev later said of the man he credited with

inventing the Soviet hydrogen bomb: "I knew him and was profoundly impressed by him. Everyone was. He was, as they say, a crystal of morality among our scientists. I'm sure he had none but the best of motives."

In the Brezhnev era, Mr. Sakharov widened his campaigns, took up the cause of agitators for more democracy and openly challenged his government in interviews with foreigners. He knew how great the risks, how remote any real chance of change: "The fact that we addressed the authorities was simply a natural reflection of our aspiration for the rule of law, of our loyalty to the state, of our confidence that we were in the right legally as well as ethically."

Such heresies brought him calamity at home, a Nobel Peace Prize in 1975, finally banishment to Gorki in 1980. His partner in all this was his second wife, Miss Bonner. She had nonetheless once been allowed abroad for medical treatment. Then why, in the name of Marx, is it denied now?

Why, indeed. To blame the revival of Cold War on President Reagan is to ignore the unrelenting persecution of the Sakharovs. The more disarming explanation is the Soviet government's chronic inability to balance losses. By any rational measure, Soviet standing would be enhanced by writing a humane end to a miserable affair. By denying one scientist a minimal request, and driving him toward suicide, the Soviet state risks years of darkness and disruption in contacts between all its scientists and their Western colleagues.

Perhaps there is someone left in the Kremlin who has the courage to insist on a recalculation of Soviet interests. Mr. Reagan has done his part, minding his words, hoping and praying "that the Soviet Union will do the humane thing" and let Miss Bonner go, and maybe Mr. Sakharov, too.

—THE NEW YORK TIMES.

The Trial in El Salvador

It took nearly four years for the accused murderers of four American churchwomen to be tried and convicted in El Salvador. The result represents much more an accomplishment by the country's political system than by its judicial system. The judicial system is feeble — almost nonexistent — in El Salvador. In recent years tens of thousands of civilian murders in that country have not been submitted to any police or court process at all.

Politically, however, as both President-elect José Napoleón Duarte and Defense Minister Eugenio Vides Casanova realized, El Salvador needed action in the name of the U.S. House of Representatives was insisting on it as a condition of the aid that sustains the Salvadoran government. The White House had belatedly seen it could not ensure continuing American support of the Salvadorans if they remained unwilling to act against the murderers of innocent Americans.

Given the weakness of the rule of law in El Salvador and the intensity of the pressure exerted by the United States, the conviction of the five former National Guard members predictably stirred questions about the procedures used to obtain the verdict and about whether the five actually committed the crimes. It would be terrible to learn that the trial was a put-up job.

We note, however, this judgment from a

colleague of the slain women, after observing the trial: "There was a thorough body of evidence. I'm in awe of the jury. They showed tremendous courage. So did the judge."

A second question raised was whether officers on the chain, possibly even General Vides Casanova, might yet be held accountable for covering up the crime. The sensitivity here lies in a potential test of the relationship between Mr. Duarte, his country's first popularly elected president to take office in 50 years, and the general, who heads a military establishment converted only recently and reluctantly to the imperative of political oversight.

Could Mr. Duarte prevail in such a test now? In Washington this past week he convinced most people he met of his personal dedication to human rights, democracy and national reconciliation. But he needs the right kind of help from the United States. He deserves enough aid on a timely basis to care for security. He should not be forced into confrontations that he cannot yet win with the military leadership. He cannot be treated like a puppet on an American string.

The trial in the name of the U.S. is exactly the kind of harbinger of change that the election of Mr. Duarte promised. Next should come the trial of those accused of murdering two other Americans, the land reform advisers.

—THE WASHINGTON POST.

Other Opinion

In Pursuit of European Unity

President Mitterrand, speaking Thursday before the European Parliament, proposed a series of reforms aimed at lowering some of the well-known obstacles that face the European Community. His proposals reflected good sense and realism.

—Le Monde (Paris).

France is about the most unlikely promoter of a federal Europe that anyone could imagine. Ever since the inception of the European Community the French position has been practically synonymous with nationalism, whether in keeping Britain out, defending French farmers or insisting on the right of veto. Yet here comes Mr. Mitterrand as the new champion of European political union. He offered a vision of a united Europe entering the next century technologically capable of defying the challenges of the rest of the world, self-supporting in food, spreading its culture and exploring space. At the moment his vision looks more improbable than inevitable but that is not really the point. Europe cannot impose unity on itself by an act of will. If European unity is to come it will come only from a natural convergence of interests.

—The Times (London).

Socialist France has resolutely and definitively opted for Europe. The French head of state took an important step in speaking in favor of a new constitution for Europe. A long road has been traveled. Just a year ago, during the monetary tensions of March 1983, Socialist France was still hesitating between isolation and Europe. It chose Europe, but the anti-Community Socialists continued to drag in Mr. Mitterrand's wake.

—Le Soir (Brussels).

A Time to Push Synthetic Fuels

The escalation of hostilities in the Gulf region re-emphasizes the need for continuing American efforts to develop alternative sources of liquid fuels. The reminder could hardly be more appropriately timed, since that effort is lobbied by a crisis in management of the Federal Synthetic Fuels Corp. and the desire of the Reagan administration to cut current programs by more than \$10 billion. Technical work on developing synthetic technologies should continue, if for no other reason than to demonstrate to oil-exporting countries that the United States has the will to pay higher prices, if necessary, to avoid future blackmail in periods of crisis.

—The Boston Globe.

FROM OUR MAY 26 PAGES, 75 AND 50 YEARS AGO

1909: Cuba's Spending Is Debated
HAVANA — Señor Enrique José Barón, formerly Secretary of Finance and leader of the Conservative Party, signs an editorial in "La Discusión," remarking that the United States wants peace and economy in Cuba and that if these are not assured the life of the Republic will be short. "El Triunfo," the Government organ, says that it is sheer exaggeration to consider as excessive the estimates of \$34 million in the Budget for the coming year and declares that those who talk in the United States about Cuba's Government being extravagant are solely working on their own behalf and are entirely ignorant of the Taft Cabinet's attitude. "El Triunfo" also quotes a letter from [provisional Governor] Charles Edvard Magoon to President José Miguel Gómez congratulating him on Cuba's successful start.

1934: France Firm on Arms Stance
PARIS — In a debate on foreign policy provided with expressions of fear of impending war and French isolation, Louis Barthou, foreign minister, defended France's policy concerning disarmament and the Saar in the Chamber of Deputies [on May 25]. The note to the British government of April 17, which virtually burnt the boats in further disarmament negotiation by laying down that France will not disarm in the face of German rearmament, was explained by M. Barthou as an explicit statement of the policy defined by previous governments. As regards the Saar, M. Barthou reiterated that France cannot permit the fixing of the date of the plebiscite until Germany gives solid guarantees that no reprisals will be taken against those who may have voted against annexation to the Reich.

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The New Soviet Isolationism: A Sorry Retreat

By Kevin Klose

WASHINGTON — It is no accident that in recent days the long confrontation between the Soviet leaders and their most powerful internal critic, Andrei Sakharov, has reached a grim and eerily silent level of intensity. Like the nearly simultaneous Kremlin decision to pull out of the 1984 Summer Olympics, the crisis brought on by Mr. Sakharov's apparently ongoing hunger strike is consistent with a broader phenomenon of Soviet retreat from the community of nations.

The Soviet effort to blanket the Sakharov case in silence is sadly typical of a new Soviet isolationism that bodes ill for the rest of us.

The Olympics are just games. The Sakharov confrontation is ultimately an unequal contest between one resolute man and a Soviet state relentlessly determined to deny human rights — in Mr. Sakharov's case, the right to medical treatment for his wife. The regime has added a sinister note by veiling this struggle in silence.

The chilling effect of the change is wholly intentional. Several months ago a new law was promulgated making it a crime for Soviet citizens to pass information obtained from their jobs to foreigners without official permission. This happened in a country where censors, whose existence is never openly acknowledged, already must approve every word before it is printed and every millimeter of film before it is shown to the public.

Starting on Aug. 1, reversing a policy of some years standing, the Russians no longer will accept prepayment of customs duty on mailed parcels from abroad. Under the prepayment scheme, a person living abroad could mail clothing, books or other goods to a Soviet citizen and prepay, in hard currency, the 100-

percent customs duty that the state levies on consumer goods. Prepayment relieved the recipient from coming up with the exorbitant customs charges and added hard currency to state coffers.

But the government apparently felt that it had to have more direct control over the flow of these packages. And it probably wanted to punish those who receive the packages by creating a new economic burden for them. Some of them, particularly Jewish applicants for emigration, have little money to live on as it is.

One final point is relevant: If Moscow cannot control matters it finds unpleasant, it will simply walk away from them.

More than losing athletic contests at the Los Angeles Olympics, the Kremlin feared losing athletes. The

prospect of even one defection in the full glare of global media attention was too unpleasant for Moscow's leaders to contemplate. So they moved to head off any possible losses by refusing to come. This withdrawal has antecedents in the Soviet's resignation last year from the World Psychiatric Association rather than face a vote censuring the regime for its political abuse of psychiatry.

These are the reactions of aged, embittered men whose view of the world is one of extreme suspicion. Battered by the turbulence and strain of three leadership changes in less than two years, today's Kremlin is increasingly influenced by psychological and mental isolation from the world community.

The writer, a former Washington Post Moscow correspondent, is author of "Russia and the Russians."

U.S. Should Press Iran to Talk Peace

By Nicolas Gavrielides and Eric Davis

HIGHLAND PARK, New Jersey — Despite international fears caused by attacks in the Gulf, the United States continues its shortsighted policy in failing to confront the escalating Iran-Iraq war. Until very recently, Reagan administration officials held the view that the war's continuation was beneficial since it prevented both Gulf powers from directing their hostility against U.S. interests in the region.

Following Iranian air attacks on Saudi and Kuwaiti oil tankers, the administration has come close to offering Saudi Arabia and its allies military support. Yet despite the administration's preference for a negotiated solution, Vice President George Bush said in Oman that he saw no American role in negotiations at this time.

Nonetheless, U.S. decisions to facilitate construction of a new Iraqi pipeline to the Gulf of Arabia and to use AWACS aircraft to help protect Saudi tankers against Iranian

attacks indicate both a rethinking of policy and a tilt toward Iraq. However, the disjuncture between Washington's statements and actions indicates that it has yet to develop a clear understanding of its interests in the war or of the broader dynamics sustaining the conflict.

A persistent Western misunderstanding has been that the war is primarily motivated by religious differences related to a supposed "revival of Islam." Such explanations neglect the historic nature of the conflict. They also overlook the geopolitical and economic drives in Iran's continuation of the war.

The Ayatollah Ruhollah Khomeini's policies should be seen more as continuing those of previous Iranian regimes than as imposing a new "Islamic order" in the region. With large amounts of petrodollars,

secular and religious regimes have sought to impose an imperialism upon the Gulf throughout this century. With the largest armed forces in the Middle East, the shah demonstrated Iran's power in repressing a popular uprising in the Dhufar region of Oman. Similarly, the ayatollah has tried to dominate or subvert Saudi Arabia, Kuwait and Bahrain. Indeed, the war was prefaced by Iranian-inspired bombings and terrorist attacks in Iraq. What Iranian policies demonstrate then is a consistent desire for control of the Gulf.

The economic disruption accompanying the overthrow of the shah in 1979 threatened Iran's food supply, a problem growing out of the shah's neglect of agriculture. Since only 5 percent of Iran's arable land can be permanently cultivated, Iraq's fertile Tigris-Euphrates delta provides a major incentive for an invasion of the region. That this area is inhabited by Iraqis, who like most Iranians, are Shiites, has allowed the Khomeini regime to obscure its economic motives by claiming it is trying to "liberate" these with a common religion.

Contrary to predictions that Iraqi Shiites would face dual loyalties, they have fought vigorously. For the Shiite and non-Shiite Iraqi soldier, Arab and Iraqi nationalism have proved a much stronger base of identity than the Ayatollah Khomeini's vague notion of an Islamic community stretching from Indonesia to Morocco. Furthermore, Iraq's determination to defend its territory stems from a realization that, as in Iran, a Khomeini victory would mean executions or imprisonment for Muslims, Christians and Kurds.

Apart from the immediate effects on Iraq, an Iranian victory would threaten Saudi Arabia and Jordan as well as the smaller Arab oil-producing states of the Gulf. Iranian influence would surely extend into Syria and further complicate efforts to end the Lebanese civil war. Yet Egypt and Jordan, which have contributed military support to Iraq, are the only Middle Eastern countries that have realized the regional consequences of an Iranian victory.

By failing to comprehend the ramifications of the war and in avoiding direct efforts to bring it to a conclusion, America is losing influence in the Gulf. Military events may force it to choose sides.

Iranian intransigence has negated efforts by Sweden, Guinea and India to promote negotiations on Iranian-Iraqi disagreements, particularly those relating to the Shatt al-Arab waterway. The United States should join with these countries and others in the Islamic Conference Organization and the non-aligned movement to persuade Iran to negotiate. If such attempts fail, efforts should be made to impose international economic sanctions on Iran to force it to accept a negotiated solution.

Eric Davis, a Rutgers University political scientist, and Nicolas Gavrielides, an anthropologist at the State University of New York at Cortland, are studying the impact of oil wealth on social change in Arab oil-producing countries. They contributed this comment to The New York Times.

The Doubts Surrounding Bill Casey

By William Safire

WASHINGTON — William J. Casey, the director of Central Intelligence, is thought to be deceptive by a couple of congressional committee chairmen.

But first, a declaration of bias: Twenty years ago, I handled Bill Casey's campaign for Congress on Long Island, in New York. We lost. (I took him to a speech teacher to get over the numbers; the speech teacher wound up not speaking.)

Last month, Barry Goldwater, chairman of the Senate Intelligence Committee, castigated the CIA boss for not advising him of the covert mining of Nicaraguan harbors. Mr. Casey replied that he had done so in testimony on two occasions. But the specific quotation was false.

After some needling, Senator Goldwater defended the program, and sent it to me with a note: "Tell me if you think they adhere completely to the legal requirements that the CIA keep its completely informed on covert matters."

The CIA's secret sentence: "Magnetic mines have been placed in the Pacific harbor of Corinto and the Atlantic harbor of El Bluff, as well as the oil terminal at Puerto Sandino."

Senator, that seems pretty straightforward to me. Complete? Of course not — but enough to open a line of questioning. And there may well have been an obligation to advise the Senate beforehand. But Mr. Casey cannot be made out to be a liar.

Comes now Representative Don Albosta. His House subcommittee has looked into the theft of Carter briefing papers by the Reagan campaign staff, which gave Mr. Reagan an unfair advantage in his first debate with President Carter.

James Baker, now White House chief of staff, has a "best recollection" that William Casey gave him the Carter briefing book, and Mr. Baker's loyal aide, not surprisingly, says she remembers him telling her that Mr. Casey asserts he remembers nothing of the sort, and says he would not have touched such a document.

Mr. Albosta, in a 3,400-page document, concludes that the evidence indicates that Mr. Casey was the source of the briefing book. A campaign memo casts doubt on Mr. Casey's assurance that he never sought information from the Carter campaign. A minority report disagrees. Where is the truth? We will not find out from Congress. At his own moment of truth months ago, Mr. Albosta choked up. Against the advice of his special counsel, James Hamilton, the chairman decided against holding hearings. That meant that no witnesses were placed under oath; instead, false affidavits were accepted.

Nor will we find the truth from this Justice Department. The FBI did not investigate at the Carter and as thoroughly as the Albosta committee did. The FBI's report of an interview with Lloyd Cutler failed to discover that the president's counsel had given an oral opinion that the briefing book was a presidential document that could be worked on by government employees. But the Reagan Justice Department asserted the opposite.

Will we ever get the truth in the courts? Federal District Judge Harold Greene has ruled that the attorney general has violated the Ethics in Government Act by refusing to name a special prosecutor in such a case. Attorney General William French Smith, in the grand tradition of loyalty before honor, is taking the case to a higher court, knowing that the case will not be considered until September or decided until months after.

Bill Casey's friends say that too much emphasis has been put on how the papers were obtained, and not on the unfair use to which they were avidly put by the Baker debate operation. But the potential crime was the theft, probably from the National Security Council, and not the use, which was merely corrupt.

And so Bill Casey, what could have forced the cracking of this case was a little less press cynicism and a little more public outrage.

The New York Times

LETTER

What the USIA Did

In his May 14 article entitled "CIA Said to Give \$1.4 Million to 2 Salvador Parties," Philip Tombsman, writing about three trips arranged for foreign journalists to Central America, says it is "unclear" how these tours were funded. The U.S. Information Agency sponsored tours for European print and television journalists in October and December of 1983 respectively and for one Colombian and several Venezuelan journalists in February 1984. These foreign journalists were paid for in part with USIA funds appropriated for this purpose by the Congress and occasionally in part by the media organizations of the participants.

These particular tours traveled to Guatemala, Honduras, Nicaragua and Costa Rica, in addition to El Salvador. We helped schedule interviews and meetings across a broad political spectrum.

Tours for foreign journalists are a legitimate and long-standing function of the USIA in explaining U.S. foreign policy to audiences overseas. These tours are carried out openly by the USIA, by our posts abroad and by our Foreign Press Centers in the United States.

Phil Gailley of The New York Times accurately described our tour of Central America for foreign journalists last October, as providing facilitative assistance for journalists on the premise that a better understanding of the situation in Central America will help build support for United States policies in that area.

CHARLES Z. WICK,
Director, USIA,
Washington.

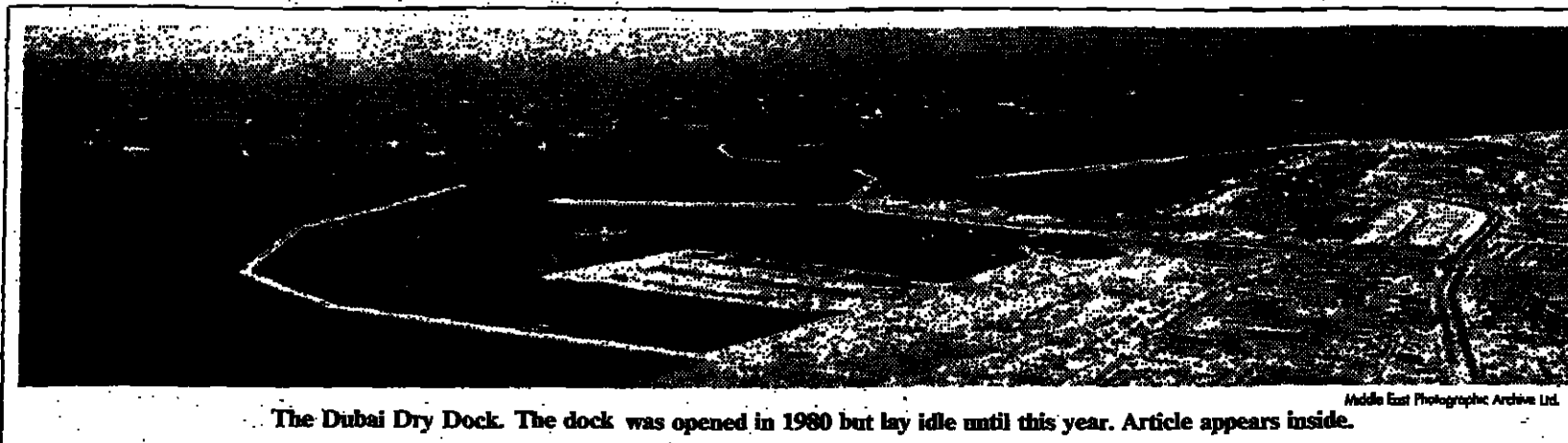
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UNITED ARAB EMIRATES

A SPECIAL ECONOMIC REPORT

SATURDAY-SUNDAY, MAY 26-27, 1984

Page 7



The Dubai Dry Dock. The dock was opened in 1980 but lay idle until this year. Article appears inside.

Oil and Gas Exploration Sets Fast Pace

By Sarah Seagrath

ABU DHABI — Activity in the United Arab Emirates for oil and gas exploration and development is one of the busiest in the Gulf. Last year, Dubai released nine new concessions to a variety of oil companies that are now assessing seismic results, and production from Arco's gas/condensate field at Marham will begin later this year.

The gas flare that irradiates Sharjah's desert from its Saja's gas/condensate field will be drastically dimmed when the new liquid petroleum gas (LPG) plant starts production in about two years. The main contract for equipment was recently awarded to Japan Gas Co. Ras al-Khaimah is already producing about 5,000 barrels a day from its offshore Saleh field, which is being stored offshore, although talk of downstream ventures is premature. Abu Dhabi remains, however, by far the largest and most sophisticated producer in the emirates.

The Emirates' oil and gas emerge from ground and sea in a remarkable

combination of alliances between local governments and foreign participants. In the mid-1970s, when most of the other Gulf countries were moving toward total nationalization of their production, Abu Dhabi restricted itself to 60 percent of the shareholding of its two major concessions, one offshore, one onshore, which remained the pattern for later commitments.

Similarly in Dubai, Sharjah and Ras al-Khaimah, concessions are owned by foreign oil companies, the individual governments stepping in as equity shareholders in the event of production. Such combinations are bound to have their stresses, not least because the federal Ministry of Petroleum has little effective control outside of Abu Dhabi, home of the minister, Mana al-Oteiba. Raw materials belong to the emirates individually. Second to Abu Dhabi in oil production is Dubai, which does not feel beholden to the Organization of Petroleum Exporting Countries although allowed for in the OPEC production quota for the Emirates

(somewhat to the embarrassment of Mr. al-Oteiba, who heads the OPEC monitoring committee). The same applies to Sharjah and Ras al-Khaimah.

With Dubai generally not acknowledging OPEC, Abu Dhabi has borne the brunt of 1983 production cuts. Because of demands for associated gas, cuts have been mainly offshore (down to about 205,000 barrels a day), particularly in the Lower Zakum field of the Uweinat formation, drawing on a source likely to be needed in future to maintain crude production. CFP in its Total-Abu al-Bukhoosh field penetrated the rich gas-yielding Khuff formation last year; the good results were handed over to ADNOC, which has just completed a second well there. ADNOC had previously found gas in the Khuff in the Umm Shaif field.

Whichever source is chosen — Abu Dhabi or Umm Shaif at least has some facilities to hand — getting the gas to ADGAS is likely to take two years.

Abu Dhabi crude production also has to take into account pro-

duction from the Upper Zakum field, currently "testing" at 80,000 to 100,000 barrels a day. This is owned 88 percent by ADNOC, 12 percent by JODCO, with CFP as operator.

Refineries at Umm al-Nar and Ruwais remain the core of Abu Dhabi's downstream operations. Other ventures include GASCO and the fertilizer plant, Fertal, at Ruwais owned by ADNOC (two-thirds) and CFP (one-third) and operated by CFP. Present production of 1,500 metric tons of urea goes mostly to India and China.

In Dubai, there is so far no national oil company, and oil affairs are generally the concern of one of the ruler's sons, Sheikh Muhammad bin Rashid. Crude production is all offshore from a concession owned by several oil companies and operated by Dubai Petroleum Co., a wholly owned subsidiary of Conoco. Current production is estimated at about 390,000 barrels a day but the field may be on the decline.

In Sharjah, the concession of the Saja's field of gas/condensates is owned by Amoco, which under an old-style agreement also owns the production (about 55,000 barrels a day) but pays 14.5 percent royalties and a tax of 77 percent on profits. Production of around 55,000 barrels a day of condensates is exported mainly to Japan.

With indigenous labor so scarce, the market so limited and competition so fierce, heavy industrialization outside the oil and oil-related spheres was not an obvious choice, to outsiders, for Gulf governments, and has now gone out of fashion. Still, existing facilities, which have had to survive this difficult period by tightening their belts, may be well-placed to benefit from the next world economic upswing.

— ANN FYFE

Domestic Issues Worsen Economy's Stagnation

By Ann Fyfe

ABU DHABI — Though the immediate causes of the United Arab Emirates' economic plight are external and relatively recent, indigenous factors have combined to keep some of the emirates in a state of stagnation that is outlasting the boom period of the 1970s.

Drawbacks such as a small population and a limited market, excessive duplication of companies and lack of competitiveness with foreign products are beginning to be acknowledged, but public debate on protectionism and tight immigration controls is still far from finished.

As trading results for 1983, a poor year, have become known this quarter, an air of expectation has been created in which the private sector is looking to the government for some kind of nationwide rescue. Such a rescue has been made before in recent U.A.E. history. But this time the sum of money involved is larger, and the government's readiness and, indeed, ability to meet it is more controversial.

The federal Ministry of Trade and Economy submitted a memorandum to the cabinet in March outlining the causes of the recession. Sharply declining oil revenue headed the list, followed by the Iran-Iraq war; the Souk al-Manakh crash in Kuwait and its effects on regional liquidity; layoffs in the state sector due to austerity measures; the effects of adverse sentiment on consumer spending; and the repatriation of profits by foreign companies.

Figures for oil revenue tell a depressing tale. Total revenue was down from 45.5 billion dirhams in 1981 to 34.6 billion dirhams in 1982, a drop of almost 25 percent, and it fell a further 15 percent in 1983 following the March price cuts. Revenue accruing to the federal budget in 1982 was estimated at 20,276 billion dirhams but amounted actually to 16,050 billion

dirhams. Expenditure for that year was budgeted at 22.6 billion dirhams but reached only 19,255 billion dirhams.

In 1983, total estimated revenue fell to 12.9 billion dirhams in the federal budget, against estimated expenditure of 18,406 billion dirhams. Agreement on a budget for 1983 was not reached until August; this year, efforts to get the budget earlier have been intensified but Finance Ministry officials have made it clear that the package will not be any larger in size.

A negligible 4 billion dirhams was allocated for new projects in 1983. As a result, the total value of all projects under construction or planned fell last year. In 1982, the total value of all such projects had been 14,579 billion dirhams; at the end of December 1983, because projects on which no firm commitment had been made were canceled, the total fell to 11,765 billion dirhams. Expenditure for projects is 53 percent complete, and no new programs have been added.

In Abu Dhabi, the largest emirate, the development program for 1983 was budgeted at 6,245 billion dirhams, compared with an estimated 7 billion dirhams and an actual expenditure of 5,636 billion the year before. More significantly, 120 projects were canceled.

Even without the oil glut, government expenditure would have had to stop growing exponentially sometime, given the vast number and size of infrastructural and other projects and the speed with which they were commissioned in the 1970s. It was the leapfrogging budgets of the 1970s to which the private sector grew accustomed, however, and companies have not yet learned how to live with government expenditure that dropped as much as 41 percent between the final quarter of 1982 and the final quarter of 1983.

To list the effects of the recession on U.A.E. companies is all too easy in an economy so heavily depen-

dent on government spending. Fewer projects and delayed payments for work done has led to cost-cutting and layoffs; dismissed expatriate workers cannot change their jobs because of a rule that requires them to leave the Emirates for at least six months before applying for a new visa; state-sector employees, also worried about layoffs, are not spending money. Retail sales are down, as are hotel occupancy rates and rents. Above all, the banks that finance commercial operations are saddled with an unhealthy amount of nonperforming loans.

Abu Dhabi, the Emirates' principal oil exporter, has been more sharply affected than some of the other emirates, in contrast to its experience in previous low cycles. Average rents, for example, fell 48 percent during 1983 in the federation as a whole; in Abu Dhabi the average rent for a two-bedroom apartment — an average unit of accommodation — slumped 50 percent, from 5,833 dirhams a month in January 1983 to 2,918 dirhams in January 1984. In Dubai, rents were stable during the year, the northern emirates having experienced their shakeout some years ago.

The state, in the form of the Central Bank and the Dubai government, has intervened to support one of the country's largest locally owned banks, Union Bank of the Middle East (UBME), and the Central Bank is negotiating with larger, more liquid banks a formula to induce them to put part of their overseas assets back into the U.A.E. banking system. Last November, at the same time the support package was being put together for UBME, representatives of the Bankers' Association, the Central Bank and the Federation of U.A.E. Chambers of Commerce and Industry were meeting to discuss the burden to companies of interest repayments to their bank-

(Continued on Next Page)

Profits Up for Smelting and Shipping

DUBAI — Public-sector heavy industry in the United Arab Emirates, outside the oil and petrochemicals industry, means the DUBAL aluminum smelter, Dubai Dry Docks and the cement industry. All these businesses are affected by world trade cycles. Some, even before the current downturn, were seen as white elephants.

It is an achievement, therefore, that DUBAL and the dry docks are adopting a more optimistic tone in their 1983 reports, though DUBAL admits that pricing operating costs has played a part in its achievement. The cement industry, by contrast, has never sounded more bearish.

DUBAL uses the word "profitability" in its 1983 annual review, stating that the significant recovery in aluminum prices in 1983, "combined with further reductions in DUBAL's unit costs of production and an increase in the sales of premium products, enabled the company to achieve a modest profitability by the end of the year." The construction of the smelter was financed by international borrowings of about \$1 billion, starting in 1977. Last year was the smelter's second year in full production, and

output exceeded rated capacity by 12 percent to reach 151,170 metric tons. Significantly, 1983 reflected a major marketing breakthrough: more than 16,000 tons of extrusion billet (about 11 percent of total output) was sold to the coveted U.S. market, following successful trial sales in 1982. Japan continues to take the bulk of the remainder.

The company detects signs of a lasting improvement in world aluminum prices and predicts that they may strengthen further in 1984. In 1982, however, DUBAL embarked on a staff-cutting program that brought manpower down from 1,502 in March 1981 to 1,292 at the end of last year.

If the dry docks and the smelter are able to make more optimistic noises in 1984, the Emirates' cement industry is not. Seven plants are now producing: at Al-Ain (with a rated production capacity of 750,000 tons a year), Dubai (500,000 tons); Sharjah (250,000 tons); Ras al-Khaimah, which has two plants (a million tons each, one for export to other Gulf states); Fujairah, which came on stream recently with capacity of 520,000 tons; and Ajman, which began operations in the last week of April. A

company has been formed to build an eighth, in tiny Umm al-Qawain, and the Emirates' first white-cement factory is under construction in Ras al-Khaimah. Four million tons a year of production capacity far exceeds domestic demand, which is estimated at no more than 2.3 million tons.

A recent survey of manufacturing industry by the Dubai Chamber of Commerce and Industry shows industrialists listing as their main complaints competition from foreign products, the small size of the local market and the high cost of financing. All these are applicable to the cement industry. The high cost of fuel, which is no longer subsidized, is an additional problem for energy-intensive cement. Some plants hope to be linked into the Northern Emirates Gas Grid, which is due for commissioning this month. It will initially supply natural gas from Amoco's Saja field in Sharjah to the Ministry of Electricity and Water's power stations in the northern Emirates, in place of more expensive distillate fuels.

As a result of low sales and high costs, local cement manufacturers had to cut the price per bag of their

product last year and are now seeking government intervention in the form of tariffs on imports. Meetings with the relevant ministries have been held to this end. Oman, until recently a buoyant market for U.A.E. cement, now has its own cement industry and has won the right to protect it with its own tariffs, against the Gulf Cooperation Council trend.

Presumably the oversupply would not have come about if tight central planning controls had been in force when the plants were on the drawing-board. Abu Dhabi has its own General Industries Corp., which is responsible for all nonoil industries in the public sector and private sector alike.

With indigenous labor so scarce, the market so limited and competition so fierce, heavy industrialization outside the oil and oil-related spheres was not an obvious choice, to outsiders, for Gulf governments, and has now gone out of fashion. Still, existing facilities, which have had to survive this difficult period by tightening their belts, may be well-placed to benefit from the next world economic upswing.

— ANN FYFE

A Constitutional Frame

The Emirates has survived for longer than any other Arab federation in modern times, for a number of reasons, not least of which is that its constitution is not a recipe for transforming seven very unequal political entities into a uniform community.

By Franke Heard-Bey

ABU DHABI — Most countries of the industrialized world have experienced little change in their statehood and political framework over the last 20 years. During that period the United Arab Emirates has witnessed such unparalleled economic growth and drastic transformation of its environment that the outside observer is mesmerized by the material manifestations of development.

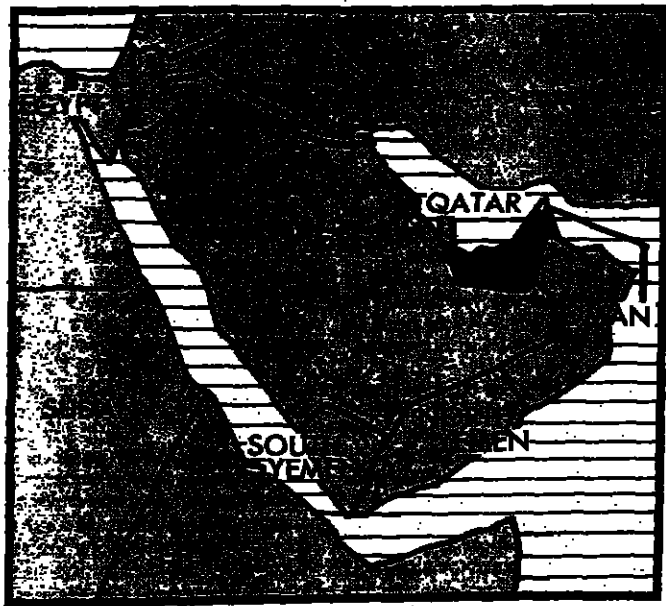
But how do the political structures of the Emirates of today compare with the means of government that came about when oil was first exported in 1962? In this short span of time a political system was developed, which now combines on the one hand the direct and simple forms of political interaction within a small community of tribally related and economically equal families, and on the other hand the sophisticated checks and balances required to hold together a modern federation.

Before the discovery of oil, the few natural harbors that existed on the shallow southern shores of the Gulf between the foot of the Qatar peninsula and the cliffs of Cape Musandam became focal points for the tribal families that managed to eke out an existence with very limited resources and under extreme climatic conditions. The people relied for their staple food on dates and on milk from camels and goats. The meager grazing had to be sought by following the erratic winter rains in the trackless sandy desert or in the dry valley of the mountains bordering on Oman.

The coastal settlements, which developed rapidly in size and importance throughout the 19th century, were the centers of the pearling industry, which provided the main source of cash for the settled society on the coast as well as for the semi-nomadic population in the hinterland. While the markets for Gulf pearls continued to expand, supplying India as well as Europe and the United States, ports such as Dubai, Sharjah and Abu Dhabi became trading centers, importing commodities including rice, sugar, coffee, wood, silver and cloth. To facilitate the collection of customs duties on imported goods

(Continued on Next Page)

Franke Heard-Bey, who works in the Center for Documentation and Research in Abu Dhabi, is the author of "From Tribal Society to United Arab Emirates," Longman, London and New York, 1982, and "The Arabian Gulf States and the Islamic Revolution," published (in German) by the German Institute for Foreign Policy Research in Bonn.



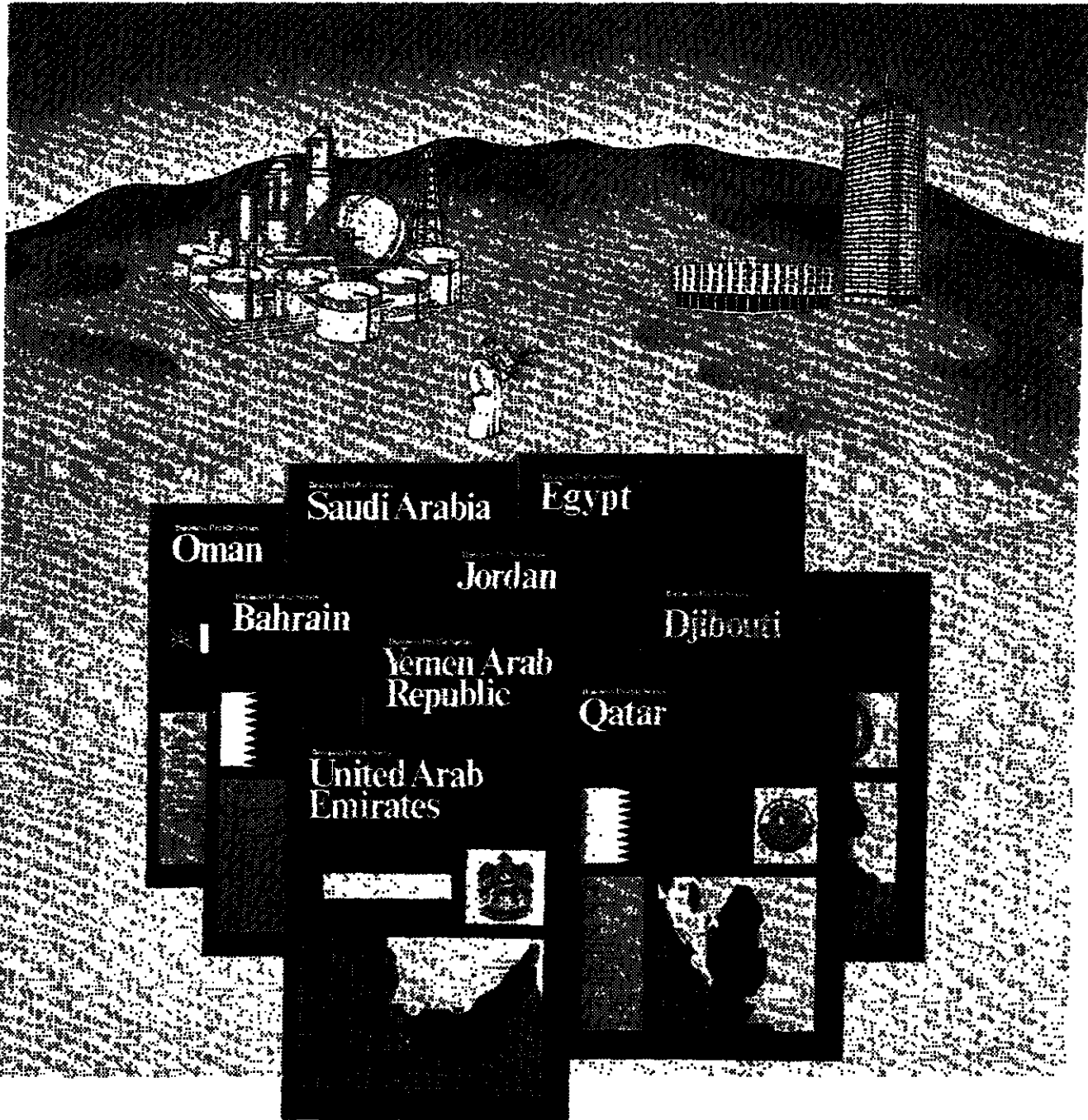
BASIC DATA

The United Arab Emirates is composed of Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah and Umm al-Qawain, which came together as an independent state on Dec. 2, 1971.

AREA: 32,300 square miles (92,100 square kilometers). Population (1980): 1,040,275.

INDUSTRY: The main industries in Abu Dhabi relate to the construction industry and to oil and gas extraction; there is also a steel rolling mill. Dubai has a cement factory of 500,000 tons annual capacity, and a dry dock. Twenty companies are fully operational at the complex in Jebel Ali consisting of a liquefied petroleum gas plant. Sharjah has a cement factory and various manufacturing estates. Ras al-Khaimah also produces cement and crushed rock.

CURRENCY: The dirham = 10 dinar = 1,000 fils. 1 dirham = \$3.67.



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UNITED ARAB EMIRATES

Indigenization Law Alters Labor Trend

DUBAI — Because of the unparalleled economic boom that the United Arab Emirates enjoyed in the 1970s, the labor force doubled in size in just five years between 1975 and 1980.

The magnitude of the problem of regulating labor practices and ensuring that the minority of U.A.E. nationals were not left behind in the rush becomes plain if it is borne in mind that the overwhelming majority of these new workers were immigrants from different cultures speaking different languages. Accordingly, the 1980 labor law was a major milestone in the Emirates' modern history. Not only does it represent the first federal-wide attempt to grasp this gigantic nettle, but it introduced from scratch a comprehensiveness and sophistication on a par with the most advanced legislation in developed countries.

If the Emirates was to acquire a modern infrastructure virtually from zero with the speed made possible by the oil boom of the early 1970s, it was clearly not going to do so with the population of just 180,000 that it had before independence. A population mostly unacquainted with modern skills. Mass immigration ensued; in this respect the Emirates' experience has been the same as that of its Gulf neighbors — but more extreme. The work force expanded by more than 90 percent between 1975 and 1980, from 288,051 to 547,062.

The percentage of U.A.E. citizens in that total is so small as to be highly controversial. Ministry of Planning statistics appear in the Arabic-language press from time to time, and recent quotations put the percentage of immigrants in the construction sector, for example, at 99 percent and in the vital petrochemicals sector at 98 percent. Not surprisingly, immigration is a large issue in public opinion in the Emirates.

The 1980 labor law's attack on the potential danger to U.A.E. nationals' employment prospects is two-pronged, through its compulsory priority for U.A.E. citizens and its powers to oblige employers to take on U.A.E. trainees. Under the system, every application to import a foreign employee has to be approved in advance by the Ministry of Labor and Social Affairs.

The ministry maintains a register of available U.A.E. nationals and their skills. If a suitably qualified national is available for the vacancy, the applying employer is obliged to accept him. Naturally, this provision is used more frequently in certain categories of jobs than others. After U.A.E. nationals, the next priority is to be given to Arab nationals. An employer seeking a collective visa for 25 or more workers must fill at least 30 percent of those vacancies with Arabs from any Arab country. Three-quarters of all U.A.E. citizens in the work force are in traditional farming and fishing or in the civil service. U.A.E. nationals account for 31 percent of Federal Civil Service manpower, a much larger proportion than in any other field. Civil service recruitment is no longer expanding, however, in this age of austerity.

Total manpower fell from 40,463 civil servants at the end of 1982 to 38,445 at the end of 1983. The powerful Committee on the Rationalization of Expenditure has persuaded most ministries to cancel all vacancies except in cases of dire need. The result has been indignation press comment on cases of U.A.E. graduates who have been refused public posts to which they felt entitled.

An added complication is that the Emirates, like most non-Communist countries, has too many arts graduates and too few science graduates. Today's individual hard-luck stories of jobless graduates are probably a temporary blip, however, as such graduates will eventually replace expatriates in the civil service.

Private-sector employment is a different matter. Technical secondary schools have not been very successful with the public, and government proposals for a higher vocational-training institute meet with curious strong aversion with raised in the National Assembly. It is a cultural problem, an inclination toward administrative or business careers rather than technical jobs.

Advice is being sought from the International Labor Organization toward a long-term solution. As a first step, a specialized department has been set up in the Ministry of Labor and the next move will be a survey of potential candidates who might be qualified and willing to enter technical training.

In the interim, the ministry is empowered by the 1980 labor law to make the private sector shoulder some of the responsibility for training. The ministry administers a form of training contract between U.A.E. candidates and companies, defining the rights and obligations of each, and giving the trainee the best chance of a job after his training.

— ANN FYFE

Constitution Gives Emirates Room to Maintain Identities

(Continued From Previous Page)

and of taxes on the pearling community, and in response to the increasing need for administration and jurisdiction, the tribal rulers chose the ports as their seats of government.

In 1820 the British government of India concluded the first truce with eight tribal leaders on this coast in order to guarantee peace at sea for shipping in the Gulf — hence the name the "Trucial States." Subsequent treaties and agreements resulted in the eventual exclusion of European and American competitors from the same economic opportunities as Britain in the region. The negotiations with an outside power and the formal recognition of a new tribal leader as ruler of a particular state enhanced the position of the coastal leaders partly at the expense of the tribal leaders in the interior.

The fact that all the rulers were on an equal footing vis-à-vis the British government made it virtually impossible for one of them to try to dominate the entire territory. In 1951, Kalba was absorbed into Sharjah but the recognition in 1952 of Fujairah, also on the Indian Ocean coast, as being independent from Sharjah, restored the number of Trucial States to seven.

When in January 1968 the Labor government decided to relieve Britain of its costly responsibilities east of Suez, most of the sheikhdoms of the Gulf were suddenly faced with the need to prepare for complete independence within three years. Not only had the apparently distant British government handled contacts between the sheikhdoms and the outside world, but, as the search for and, in due course, discovery of oil turned the attention of many to the prospect of great wealth, London

became also increasingly involved in organizing domestic affairs.

While some of the Trucial States, in particular Dubai and Abu Dhabi, had by the late 1960s established government departments and municipalities through which to organize the rapid development of their infrastructure, the smaller and more remote emirates were still run from the majlis, the reception room of the ruler, who laid down the law on all matters big or small concerning tribal community, for whom he felt a personal responsibility.

Thus, the seven individual states were still in the process of building their own governmental structures when they responded to the initiative of the rulers of Abu Dhabi and Dubai, who, in the spring of 1968, proposed the formation of a federation. This state as originally proposed was also to include the geographically remote and economically more developed emirates of Bahrain and Qatar. In the summer of 1971, after three years of intensive political bargaining over the form, size and constitution of the federation, Bahrain and Qatar opted out — in part, at least, because the clouds of external threats to their sovereignty had blown away.

In July 1971, the Trucial States, which had never been bound together constitutionally, even though they share a common social and economic background, agreed to the formation of the federal state of the United Arab Emirates. It was formally proclaimed on Dec. 2, 1971.

The newborn federation's political framework was an adaptation of the constitution that had been drafted by the group of nine states. The intention was that this "provisional constitution" should primarily enable the establishment of the

new state and that five years later it would be replaced by a permanent constitution. But when the time came, the provisional constitution was given a new open-ended lease of life in preference to a proposed politically more balanced textbook version.

The Emirates has survived for longer than any other Arab federation in modern times, for a number of reasons, not least of which is that its constitution is not a recipe for transforming seven very unequal political entities into a uniform community. It is a set of guidelines and it is a frame within which they can — and do — grow closer together.

In many important fields this process is far from complete. The imprecision of various clauses allows for coexistence of different interpretations and rarely leads to the aggravation of formal constitutional disputes. Instead, when controversial situations become a matter of political urgency and required a federal solution, they were resolved by the traditional methods of discussion and compromise. Thus, the proliferation of individual state legislation or the differences in immigration procedures or business regulations should not be regarded as weaknesses that are there to stay.

In this way it has been possible not only to keep the seven states constitutionally united, but the individual emirates have been welded together through the common experience of novel development encompassing the entire country. Each local authority has its own policy for expanding urban areas, for industrialization or for improving services — depending on the emirate's location and its financial means. The federal administration has systematically penetrated the entire country and, starting with the construction of roads, houses,

hospitals, schools, mosques and markets, has firmly established the overall importance of the federal government as the prime force fulfilling the population's expectations.

In a country that ranks high among members of the Organization of Petroleum Exporting Countries, funding development at home should, in principle, present no problem; however, sovereignty over natural resources still rests with each individual emirate. Although an agreement was made in 1980 to apportion half of each emirate's income from oil directly to the federal government, in practice Abu Dhabi has always been seen by many as the guardian of the country's purse strings.

In line with increasing oil prices, the federal budget grew from about \$25 million in 1972 to a peak of \$6.4 billion in 1981. But oil prices and exports have fallen considerably, and the federal authorities have had to adjust to a reduced flow of funds.

Two decades ago when the population of the Trucial States was barely 100,000, the seven rulers were all personally involved in regulating every aspect of the affairs of their small communities. Today, the central government and the local authorities have to direct most of their administrative efforts toward an anonymous population that has swelled to more than one million because of large-scale immigration.

Even though the immigrant labor force is considered transient, the population imbalance has had the effect of creating a sense of national belonging and pride in being a true citizen of the Emirates. This might not otherwise have been achieved so easily, considering the traditional political role of tribal affiliations.

Banking Sector: A Controversy Over Doubtful Debt, Central Bank Role

DUBAI — For many medium-sized and smaller banks in the United Arab Emirates, 1983 was a year of accumulated difficulties. Their end-of-year results, appearing this quarter, show profits of only modest growth. For a solution in 1984 all eyes are on the government, which has already intervened to shore up the Union Bank of the Middle East (UBME).

In the prevailing climate the philosophical musings of bankers a year ago — like the idea of nationalizing foreign banks to some degree — have faded from the scene. Today, minds are concentrated on the urgent problem of poor-quality assets and the issue of Central Bank control, which are two sides of the same coin.

No reliable figures are available for the total sum of doubtful or written-off debts, although there is no shortage of speculation on the subject. The banks worst affected are those that opened in the middle or later 1970s, when the best-quality risks for which the new banks competed fiercely are today ill-placed to withstand the payments delays, absence of government con-

tracts and decline in retail sales and rents that characterized 1983 and seem likely to persist in 1984. This is not to say that the larger banks are unaffected; slow-performing loans feature in all portfolios.

Total bank lending declined in the first quarter of last year from 40.1 billion dirhams in December 1982 to 37.7 billion dirhams in March 1983, then revived slightly to reach 41.69 billion dirhams in June 1983, the latest date for which Central Bank statistics are available.

Trade continues to absorb more than one-third of all bank credit, with 37 percent in June 1983 in the federation as a whole and 44 percent in the Dubai sector. Construction still comes second, with 29 percent of all U.A.E. credit and 46 percent in Abu Dhabi. Both sectors are highly vulnerable to the current downturn, although some banks report an increase in letters of credit opened in recent months.

The grace period for reducing the proportion of any bank's lending to its own directors — to 5 percent of its capital to any one director and 25 percent to the

board as a whole, as ordered by the Central Bank in 1982 — expired at the end of 1983. The governor of the Central Bank, Abdul-Malik al-Hamar, is on record as saying that the required ratios are now "largely" in force, but it is no secret that not every bank has managed yet to meet the target completely.

The regulation had to be relaxed twice after it was first circulated, in November 1982 to exempt such loans to directors as were covered by certain guarantees, and in July 1983 in respect of the definition of capital.

Lending to directors has been the most controversial area in which the Central Bank has tried to exercise control and U.S. \$2 million of the contributory factors in the UBME drama of last November. Abdul-Wahab Galsadri, originally chairman of UBME and one of Dubai's most prominent businessmen, resigned and was replaced by the minister of state at the Ministry of Finance, Ahmad Humaid al-Tajer, who also now chairs Commercial Bank of Dubai following board changes there.

Central Bank and Dubai government support to UBME is reliably thought to have been in the region of 1.4 billion dirhams. Receivers, assisted by accountants of Peat Marwick Mitchell, have been appointed to oversee the distribution of Mr. Galsadri's assets to his creditors. According to the most recent official statement, of April 19, the government of Dubai has acquired the Galsadri holding company's shares in the bank and subordinated for new ones, thus gaining 73 percent of the shares in UBME, and

the Central Bank has acquired Mr. Galsadri's Hyatt Hotel and adjacent Galleria apartments complex.

At the time, gossip in the banking world centered on which bank would be next in line for state intervention. Opinion was divided between those who were convinced that more support operations would have to be launched and those who felt that the authorities might see fit to allow one bank to fail as an example to the others. Neither event has come to pass, but anxiety over poor-quality assets is still high.

On Nov. 3, the Bankers' Association and the Federation of U.A.E. Chambers of Commerce and Industry held a meeting with the Central Bank about loans that had been made by traders and contractors having trouble repaying on schedule. Nothing has been announced, but much comment followed in the press on the likelihood of a state rescue operation.

On the deposits side, the wide gulf in size and credibility between larger and smaller units, long a trait of U.A.E. banking, is exacerbated by the uneven distribution of deposits. Depositors, including governments, favor the high-quality names. New entrants on the scene have been forced to offer below-the-counter premiums which they can ill afford — to attract the all-important individuals' funds.

Federal government bodies and the Abu Dhabi government have a policy of placing all their deposits with locally incorporated banks,

specifically the larger ones. Local government departments in the northern Emirates are not bound to do so, however, and banks complain of the rates these bodies demand.

Government deposits are in any case declining substantially. In December 1982, they amounted to 4.7 billion dirhams, or 13 percent of total deposits, whereas in June 1983 they had fallen to 3.7 billion dirhams, or 9.8 percent of the total. Private individuals' deposits, by contrast, advanced in the first half of 1983 to 19.66 billion dirhams, or 53 percent of total deposits, compared with 48.5 percent in December 1982 and 44.5 percent in December 1981.

For some years, the measure that the Central Bank has been urging on the smaller banks with smaller deposit bases has been merger. Despite the obvious merits of such a step, merger is in fact, because of the family nature of most U.A.E. businesses, the least likely course of action for the small banks to take voluntarily. More concrete Central Bank measures have yielded positive results, on the other hand.

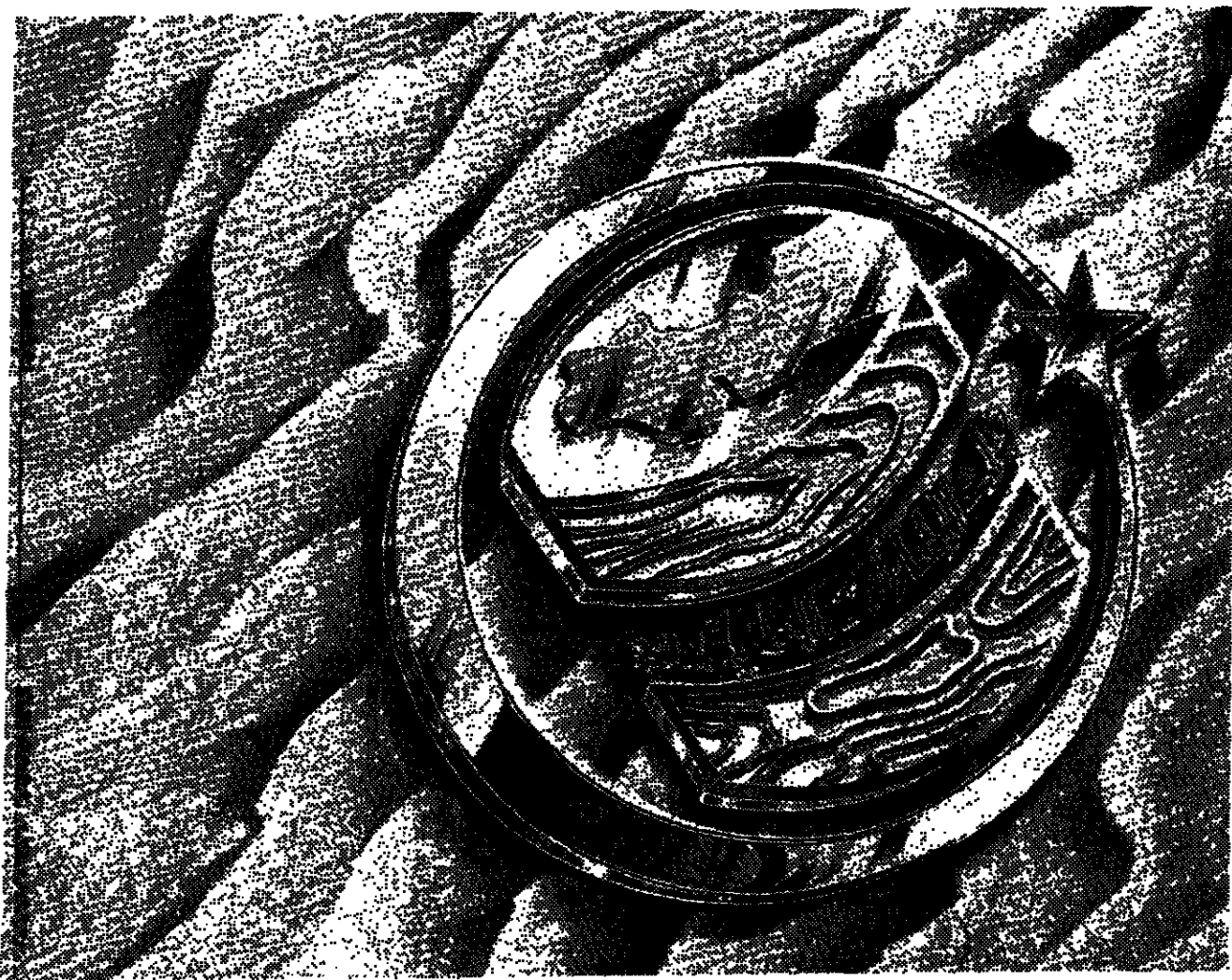
As a disincentive to lending dirhams overseas, in March 1982 the Central Bank doubled from 15 percent to 30 percent the ratio of dirham placements with nonresident banks with a maturity of less than one year, which the banks are obliged to keep on their books in the Central Bank's favor. In October of that year the statutory maximum interest rate payable on de-

posits of up to 5 million dirhams was removed. These measures, combined with a fortuitous easing of Eurodollar rates, gave an encouraging boost to liquidity.

Now the Central Bank and four of the largest, most liquid banks are negotiating a formula under which those banks would repatriate to the Emirates a proportion of their overseas placements for a new Central Bank paper instrument to be created for the purpose. If implemented, this step will be the most big news on the U.A.E. banking front. In the longer term, Mr. al-Hamar said in a Reuters interview in December that the Central Bank intended to make the family-owned banks comply eventually with a 1980 law requiring all banks to become public companies.

Unless the war between Iran and Iraq ends unexpectedly and unless the government undergoes a change of heart and chooses to lead the way out of the recession by public-spending increases, the levels of activity in the sectors in which U.A.E. commercial banks have traditionally concentrated their efforts can expect no significant upturn in 1984. Neither contingency seems very likely, although the government is at least examining the issues at the highest level. It looks, however, as if the banks are faced with sitting out another slack year with a mixture of letters of credit, remittance business, foreign-exchange dealings and hope.

— ANN FYFE



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Domestic Issues Worsen Economy's Stagnation

(Continued From Previous Page)

ers. This session was the start of nationwide moves to draw the federal government's attention to the urgency of the debt problem.

The issue was debated in the National Assembly and in the press; the parallel was drawn with the 1981 rescue of the property sector, when 1.6 billion dirhams worth of bank loans to property developers were refinanced by the state.

Whether it is desirable for the state to make a habit of such bail-outs is of course highly debatable. As this juncture, however, the state has never had less financial leeway to do so.

In March, on reading the Ministry of Trade's urgent memorandum, the cabinet set up a high-level committee of the ministers of finance, trade, planning and justice to investigate the recession. The panel met for the first time April 29 and decided to pursue its examination sector by sector.

One fundamental issue the Emirates has not yet resolved is whether it wishes to be an open-door, free-trade, laissez-faire mercantile society or a more closed community with restrictive, nationalistic commercial legislation and tight controls on immigration. Perhaps the issue is too profound to be resolved fully and will always provide the underlying dynamic in U.A.E. politics.

Much of the slump in retail activity is being linked to the six-month-departure rule. Since about 70 percent of the population is immigrants, the impact of this measure on the marketplace is obvious. The rule, introduced with uncharacteristic suddenness in February 1983, was initially popular with the large anti-immigration lobby and unpopular with merchants. A year later, it is unpopular with a wider segment of the public, and the Abu

Dhabi National Consultative Assembly has demanded its abolition. In 1980, the assembly won a reversal of a similar piece of legislation.

While these larger issues are being argued and the cabinet committee searches for short-term answers, some optimists discern the harbingers of happier times in 1984. Dubai, the main port, succeeded in reversing the 1982 decline in imports and achieved figures almost identical to the admirably not very good year of 1981. Total imports through Dubai were worth 19,679 billion dirhams in 1981, 18,266 billion dirhams in 1982 and 19,558 billion dirhams in 1983.

Others attribute the turnaround to the phenomenon of restocking by merchants in advance of new customs tariffs imposed by the Gulf Cooperation Council in November. Dubai's re-export trade showed an indisputable upsurge, to 3,195 billion dirhams in 1983 after dropping from 3,250 billion dirhams in 1981 to 2,75 billion dirhams in 1982.

Rents are relatively stable but company staffing levels are below those of earlier years. In the northern Emirates, as a whole, 1983 was a year of renewed oil exploration. As well as Sharjah's Saja field and Dubai's Margham, Ras al-Khaimah is bringing on stream the new Saleh field and exploration is under way in all the Emirates.

The International Monetary Fund's forecast for oil demand in 1984 is slightly brighter than in the last few years — and is much quoted here — but overall, there is more gloom than enthusiasm in the air. That gloom is giving way to hopes of government intervention, either directly by spending or indirectly by relaxing legislation, and it remains less than certain that those hopes will be met.

CONTRIBUTORS

ANN FYFE is a Dubai-based journalist. FRAUKE HEARD-BEY works in the Center for Documentation and Research in Abu Dhabi. SARAH SEARIGHT is a London-based journalist who writes frequently about the United Arab Emirates. MARCUS WRIGHT is a staff writer for the London-based Middle East Economic Digest.

FOOD

IN NEW JERSEY,
THE PEAR TREE BLOOMS

"It's one of the prettiest, wealthiest little towns, tucked away on a wonderful chunk of shoreline that's been skipped over by most everyone except a very smart few." Such is Steven Spector's untempered enthusiasm for the hamlet of Rum-

son, an old-line suburb on the northern tip of the New Jersey shore, some 50 minutes from Manhattan in Monmouth County.

In fact, Spector's description is not wholly accurate, for ever since the ex-New York art dealer and restaurateur took over a foundering Rumson eatery called the Pear Tree last August, the very smart

suburban at first—note the hanging plants and too-predictable Breuer chairs—it is also impeccably clean and spacious. Antique weather vanes and patchwork quilts help countryfy the place; so do the gorgeous 17th- and 18th-century European watercolors of birds that Spector, whose art dealing was in master drawings,

has displayed on the brick-red walls throughout.

Therein lies the Pear Tree's culinary theme. Appetizers range from a superb veal-chicken sausage to a not-so-great risotto primavera to Spector's stylish version of Santa Fe eggs: "stuffed eggs and fantail shrimp with barbecue sauce." But birds are the big act. From the butter that arrives in the shape of a quail to the abundant choice of original game dishes—quail consommé, pheasant cream soup with orange, sliced mallard breast, Cornish game hen and an occasional roast partridge—this is a restaurant not afraid to cry fowl.

That the gambit works as well as it does (the duck reduction sauce boasted by the waiters is wondrously smooth, the bird's dark meat as lean as the best beef) is remarkable, considering that Spector uses the same chef who toiled haplessly under the restaurant's previous owners—and that Spector himself has been in the food business only since the mid-'70s. Back then, he was dealing art out of his apartment in the East Sixties and contributing gallery and museum reviews to the art magazines around town. Recalls Spector: "That's when I began to tire of the trivialization of the whole New York art scene."

What better way to break out of his shell than invest in a quail farm? "It sounds weird, but a friend who raises the birds asked if I wanted to buy some excess stock," he explains. "Before I knew it I was breeding my own quails on a farm in Griggstown, New Jersey, just north of Princeton." Then another friend, James Beard, offered some of Spector's birds to the owners of the Four Seasons for a Christmas dinner party. The owners called afterward to ask if Spector could supply them

with 250 quails a week, and suddenly his gentleman's pastime took wing. Today, Spector's 80-acre spread in Griggstown turns out up to 3,000 birds a week (including pheasants, game hens, ducks and even geese) for Lutèce, the River Café, Le Perigord Park, An American Place, Jams—and, of course, the Four Seasons.

En route to the Pear Tree, Spector tried his hand at two nouvelle establishments in Manhattan. There was Claude's, a troublesome uptown bistro that he and Partner Peter Josten abandoned in 1978. With considerably more success, the pair launched Le Plaisir on Lexington Avenue and saw it through four prosperous

years. Yet as he had tired of the art scene, Spector wearied of the preciousness of nouvelle cuisine, not to mention the pressure of running a city restaurant. "After four years it was time to take a step backwards—to stop worrying about being so clever," he says, "and start concentrating on good food and a good time."

For New Yorkers on a rare trip across the river, the game's not over when the meal is done. Fortified by any of the Pear Tree's excellent desserts, soothed by the warm piano jazz wafting from the front dining room, they can indulge in another pleasure: a country walk along the quiet wooded blocks nearby. On a moonlit night,

one can almost forget the prospect of driving back home.

The Pear Tree, 42 Avenue of the Two Rivers, Rumson, New Jersey. Directions: take Lincoln Tunnel to New Jersey Turnpike, Exit 11 (Garden State Parkway). Follow to Exit 17 (Route 36). Take Route 36 through Atlantic Highlands and Highlands. Cross bridge and drive along the shore to first traffic light. Turn right over the Sea Bright/Rumson bridge. Avenue of the Two Rivers is the fifth street on the right. Hours: Mondays through Thursdays, 6:00 p.m. to 10:00; Fridays and Saturdays, 6:00 p.m. to 11:00; Sundays noon to 9:00. Telephone: 201-842-8747.

—Allan Ripp



Steven Spector makes game a strong suit at the Pear Tree in Rumson.

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Ballroom of the Waldorf-Astoria Hotel. Du Pont Chairman Edward G. Jefferson is the honored guest, and chairman for this evening's dinner will be James Olson, vice-chairman of AT&T. Serving as cochairmen will be Thomas Labrecque, president of Chase Manhattan, and David Kearns, chairman of the Xerox Corporation. Tickets for this black-tie event are \$300. Park Avenue at 50th Street. For information, call 997-0100.

18

† The eighth annual Energy Achievement Award Dinner-Dance will be held tonight at the Plaza Hotel. United Technologies Chairman and Chief Executive Officer Harry S. Gray will be the honoree. The cocktail reception begins at 6:30 p.m. for this black-tie affair. Tickets are \$300, and proceeds will benefit the National Energy Foundation. Fifth Avenue at 59th Street. For information, call 755-1190.

24

† Bloomingdale's holds a main-floor cosmetics beauty bash through next month to celebrate the 1984 summer Olympic Games. New product lines and special cosmetics bargains and demonstrations will be the order of the day in this salute to the Los Angeles sports spectacular. 1000 Third Avenue. For information, call 705-2000.

26

† The first New York International Ballet competition gets underway this evening at City Center, 131 West 55th Street. For the next week the elimination rounds lead suspensefully to a July 2 black-tie gala where the winners in the solo and partner categories will be announced. Gene Kelly will be the honorary chairman for the final evening, and Tony Randall will do the emcee duties. Governor and Mrs. Mario Cuomo are the honorary chairmen for the entire contest. Tickets for the final show and gala afterward are \$200; \$275 includes the elimination rounds as well. 30 Rockefeller Plaza. For information, call 496-1175.

12

† Federal Reserve Board Chairman Paul Volcker is the keynote speaker at the Japan Society's 14th annual benefit dinner. Du Pont Chairman Edward G. Jefferson will preside over tonight's festivities. Guests should arrive at 6:30 p.m. for cocktails in the Grand Ballroom of the Waldorf-Astoria Hotel. Tickets are \$250 and \$500. Park Avenue at 50th Street. For information, call 832-1155.

† Cruise over to the American Cancer Society's cocktail cruise aboard the *Empress Subaru*. A four-day excursion on board the vessel that was voted the most beautiful yacht in the world at the Paris Boat Show, will be raffled off. Mrs. Thomas Carhart Amory is the honorary chairman, and part of the winning package is a dinner party at the Amorys' historic East Brick House on Nanuet. Embarkation time is 6:30 p.m. For information, call 586-8700, ext. 555.

† Designer John Saladino heads up this benefit evening's first annual Environmental Design Dinner for the New School's Parsons School of Design. George S. Kaufman, president and chairman of Kaufman Astoria Studios, will be an award recipient. Tickets for this black-tie dinner-dance at the Plaza Hotel are \$275. Fifth Avenue at 59th Street. For information, call 673-8717.

13

† The Greater New York Councils of the Boy Scouts of America will host its 10th Distinguished Citizen Award Dinner in the Grand

chairman of the New York Times, is the chairman of this fine food festival, and Mica Ertegun, Isabelle Leeds and Bloomingdale's Chairman Marvin S. Traub serve as cochairmen. Tickets for the 7:30 p.m. benefit are \$500. Central Park West at 67th Street. For information, call 922-1460.

† Charles L. Brown, chairman and chief executive officer of AT&T, is the guest at the 1984 Founders' Award Dinner to benefit the New York Botanical Garden. Overseeing the black-tie dinner will be John R. Opel, president and chief executive officer of IBM. Cocktails are at 6:30 p.m. Tickets are \$300. The Bronx, New York. For information, call 997-0100.

6

† A preview of Jerome Robbins' and Twyla Tharp's new ballet will be the highlight of the annual spring gala for the New York City Ballet. This black-tie night includes a gala supper ball. Tickets for the whole evening are \$350, \$500 and \$1,000, \$100 for cocktails and the show. The New York State Theater, Lincoln Center. For information, call 870-5676.

7

† Mayor Edward Koch, founder of the Central Park Conservancy, and Mrs. Albert B. Lasker will be presented with Frederick Law Olmsted Awards at an annual luncheon to benefit the Conservancy. The luncheon traditionally recognizes the achievements of individuals who have contributed to the betterment of the park. A mime troupe called Le Clique will provide the entertainment at noon at Tavern on the Green. Mrs. Charles A. Dana, Jr., chairs this tribute. Tickets are \$150, and this year's proceeds will benefit park security and horticultural programs. Central Park West at 67th Street. For information, call 988-8826.

† Two anniversaries will be celebrated at a festive cocktail party in the atrium of the Trump Tower. Guests will toast the 25th anni-

BUSINESS

Continued from opening page

but not much." An editor at *Forbes* puts it more harshly: "Kekst lies. I have been in so many fights with Gershon Kekst that I don't believe him anymore." Says Tim Metz of the *Journal*: "Years ago, I told an investment banker that I didn't trust Gershon Kekst. I respected him, but didn't trust him. The next day I got a call from Gershon who said, 'I hear you don't trust me.' So we had breakfast at the Regency and I confronted him with three or four examples of his placing stories in other publications where the story could get a more favorable presentation. He said, 'OK, just watch us for a year.' And he hasn't done that since. He's either cleaned up his act or just gotten sneakier."

From his low-key Madison Avenue office, Kekst comes across as a sort of antihero. Blunt as the chewed end of his cigar, he wields a wry sense of humor and a certain undeniable charm. Sitting down to chat with a reporter, he pops a button on his jacket and quotes Rudyard Kipling: "A woman is only a woman, but a good cigar is a smoke." And, he adds, "a good chew!" What is it exactly Kekst does for his clients? For Kekst, that kind of question floats across like a whiffle ball. "In public relations, there's no body of knowledge," he bats back. "The law profession has law journals, case studies. In PR, there's only judgment and experience." Which means? "I like to think we're in the business of communications," he says opaquely. *Swish... thwump.* "We try to help a corporation communicate with its various constituents."

That vague, gray process begins when Kekst sits down to talk frankly with a corporate chairman. "My great value," he says, "is that I'm an outsider and they, [his clients] can trust me to tell them exactly the way I see it, and tell only them." That can be stiff medicine. "If the public thinks your client is manipulative and devious, you have to tell him why the public thinks that. Sometimes they don't like to hear it." He pauses. "Often they don't like to hear it."

Martin Puris attests to Kekst's candor. "Most PR men are full of crap, just flacks hyping something," he says. "But Kekst is totally different. Don't ask him a question unless you're prepared for the truth. He's blunt to a fault." Kekst himself tells a little story. "Once a company was shopping for a PR consultant and they asked a lot of firms for bids. All the firms they asked had an opinion—you should increase your publicity or something. But when I met with the chairman, I said, 'I haven't got the vaguest idea what you want to be.'" Kekst, needless to say, won the account.

Often what follows the heart-to-heart talks is simply business as usual. Clients like Bell & Howell, BMW, Fuji Bank and Hershey, for example, need no financial troubleshooting. For them, Kekst and his staff of 40 handle routine work: news to the press of promotions and products, letters and the supervising of proxy statements to shareholders around the world, speech writing and coordinating public appearances for top executives, and orchestrating endless meetings with investment bankers and lawyers. For the 30

percent of Kekst's clients who come in waving red flags, though, the work is anything but routine.

It starts with the press. Says the *Journal's* Metz of Kekst: "He does his homework. When the first shot is fired—a tender offer or a proxy fight—he sends over not only the announcement, but also the 10K filing, all the names and figures, a whole packet of information. He does the legwork for the reporter." Of course, Kekst is serving his client, not the reporter, and no journalistic ethics intrude to keep him from feeding the facts that help a client's case, and ignoring those that don't.

What he does after this is shrouded in client confidentiality. Says Kekst: "If I sat down with you as chairman of a corporation and said, 'You need to make more speeches, say, to women's groups on Subject X,' and I wrote your speeches and you delivered them, you're not going to want to read in *AVENUE* that I talked about it." Indeed, Kekst lost a client that way last year. When Sandra Salmons of the New York Times asked how he'd counseled Cogan and Swid of General Felt, he told her about the time he recommended that they hold one-on-one interviews with the media, rather than a standard press conference, in order to gain sympathy in their bid for Sotheby's. Says Kekst ruefully: "General Felt was absolutely appalled that I would have discussed this with anyone. We no longer represent them."

There's another reason Kekst doesn't like to talk. In any merger or takeover battle he's a team player. His teammates are the lawyers, investment bankers and proxy solicitors who line up like a Big Four defense, and who share equal credit when the game is won. Moreover, these players are the same year after year, game after game. They're colleagues, they're friends, and that makes Kekst especially sensitive about appearing to claim any more than his due.

Best known among the lawyers, for example, are Joe Flom and Marty Lipton. They're the Katzenjammer kids of the takeover business, invariably representing opposite sides of any major takeover battle. And one of them usually taps Kekst to do the public relations work. Kekst tells the story of representing the Mead Corporation in its fight to keep from being bought by Occidental Petroleum's Armand Hammer some years ago. In that one, Kekst paired up with Flom to stir waves of bad press and legal complications for a quiet little chemical company owned by Occidental Petroleum. The company was called Hooker, the scandal eventually became Love Canal, and with Occidental's image badly tarnished, Hammer backed off from Mead. Not long after, Kekst stepped in to help Harold W. McGraw, Jr., battle off American Express. This time, he teamed up with Marty Lipton to make a public and legal issue of the considerable reluctance that McGraw-Hill's authors felt in being absorbed by a huge corporation. Again, Kekst helped win the game. Again, he points out the team effort that led Amex to back off. Says he with a laugh: "If I suggested to you that my contribution makes a significant dif-

ference in a win or loss, one of those two guys is likely to say that's crazy."

What Kekst can say is that as a team player, he goes out looking for information about the other team. "You want to learn everything there is to be learned that speaks to the quality you want to identify, whatever problems and incompatibilities there may be." Translated, that means anything about the other team's management and holdings that may be embarrassing to them or irksome to the stockholders of Kekst's client company. Whatever Kekst finds, the lawyers make first claim and decide whether to use it: as a complaint to the lawsuit, perhaps, or in an appeal to some regulatory body. Kekst and the lawyers may decide to go public with it, but that may not be needed at all. Meanwhile, Kekst usually offers his client this advice: "Theoretically if you give a guy an opportunity he'll make plenty of mistakes. What you've got to do is make no mistakes. And to make no mistakes you don't do very much."

Critics say Kekst does a bit more than that. He hires private investigators, suggests one analyst, to do a deep dig into the personal lives of the opposition—extramarital affairs, homosexuality, bad personal loans and the like. That kind of dirt may turn up in a lawsuit more often than in the press, but it may be used privately as well: over expensive dinners with major shareholders, or in threatening phone calls in the middle of the night. Jack O'Dwyer, who publishes a public relations newsletter, says of Kekst: "He'd never be able to practice in England like that. It's not public relations—it's seamy skulduggery. You buy them out, you trick them. It's not a pretty business."

Kekst bristles at this. "Jack O'Dwyer, whom I have not seen in 15 years, has no idea—none—what we do for a living. He has for 15 years been wanting me to subscribe to his newsletter and advertise my client list in his directory, and I have refused to do that."

"I must tell you there is no skulduggery," Kekst adds, "and there is nothing seamy about it. Everything we do is based on public information. We never call shareholders. It's not our business; it's not our job. It's the proxy solicitors who literally have the job of calling and meeting the stockholders. And it's not winning and dining. They go to the offices of major stockholders one by one and make their presentations. It's a fairly cold and formal kind of thing. There's very little warmth to it."

One of Kekst's favorite pastimes is taking long walks around Manhattan after dinner, going through a couple cigars. "Fantastic catharsis, walking," he says. "Your mind just tends to clear itself out." It's a time to think strategy, and a time to ponder his current enemies: men like T. Boone Pickens and Rupert Murdoch, who rank high on anyone's list of the shrewdest, most aggressive players in American business today. They're the kind of enemies about whom it's said in a whisper: "They'll eat ya for breakfast." Come tomorrow, though, the only trace of Gershon Kekst they'll find near their breakfast plates is in the financial pages. And Kekst, enjoying his own breakfast over at the Regency, will have lasted through the previous day's battles just fine. —Catherine Osborne



هنا موناكو

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UNITED ARAB EMIRATES

Budget Deficit Brings Slowdown in Construction

By Marcus Wright

LONDON — When the 1983 federal budget was finally announced last August, after protracted wrangling over the contributions of the individual emirates, the government of the United Arab Emirates predicted that little or no money would be available for new construction projects.

New projects are a low priority until the government can sort out the widening deficit, something that will probably require unpalatable remedies such as cutting the large proportion of the budget that goes to the military establishment and to the running of federal ministries.

Some contractors fear that oil prices will rise again before the government has fully tackled the budget problem — that, in other words, federal funds for new work will not be available until at least 1985. Local construction companies have felt the squeeze severely, and the Emirates has become a less attractive market for foreign companies. But each of the seven emirates has its own budget, and these continue to provide a healthy source of work.

In the northern emirates, where there have been new hydrocarbon discoveries, companies are exploring the possibility of an increase in construction to offset the downturn in the traditional markets of Abu Dhabi and Dubai.

Abu Dhabi remains the motor of the U.A.E. economy, with more than double the oil production of its nearest rival, Dubai. Several important projects have been tendered recently by its government departments, including large prestigious projects that seemed unlikely to go ahead in the first onslaught of the recession.

In an attempt to provide more land for real estate development near the capital, the municipality plans to spend \$288 million on a huge road bridge to take traffic to the largely uninhabited Sadiyat Island, northeast of Abu Dhabi. A similar project will probably be tendered in June, involving construction of 3 kilometers (1.86 miles) of road bridge to the nearby Hodayrat Island.

With expatriates leaving the country and rents falling, the demand for new residential buildings has tailed off. But there is still a pressing need for expensive infrastructure in Abu Dhabi, and the emirate plans to move ahead with the rest of its program — upgrading roads and building underpasses to ease traffic congestion in the capital — as well as electricity, water distribution and sewage projects.

In 1983, government departments in Abu Dhabi spent about \$1.3 billion on development projects, about 75 percent of the total allocated in the budget. Several large projects are still in their early stages, such as the Tawelah power and desalination plant, designed to meet local demand until the turn of the century. For the university town of Al-Ain, 130 kilometers east of Abu Dhabi on the border with

Oman, a Swedish consultant has just been appointed to plan the construction of a new campus for 20,000 students. Now the faculty buildings and student accommodations are spread out across the town.

Military spending is also a priority, with further tenders for maintenance facilities expected in 1984 for the military base of Sweihan, in the desert between Al-Ain and Abu Dhabi. Payment delays for previous work on the base have been particularly severe, a major factor in the problems faced by the Dubai businessman Abdul-Wahab Galadari at the end of 1983. Large sums were outstanding to Mr. Galadari's construction companies for work at Sweihan and other projects, and this caused liquidity problems at the Union Bank of the Middle East, requiring the intervention of the Central Bank. A large proportion of the bank's assets were tied up in loans to Mr. Galadari, its chairman.

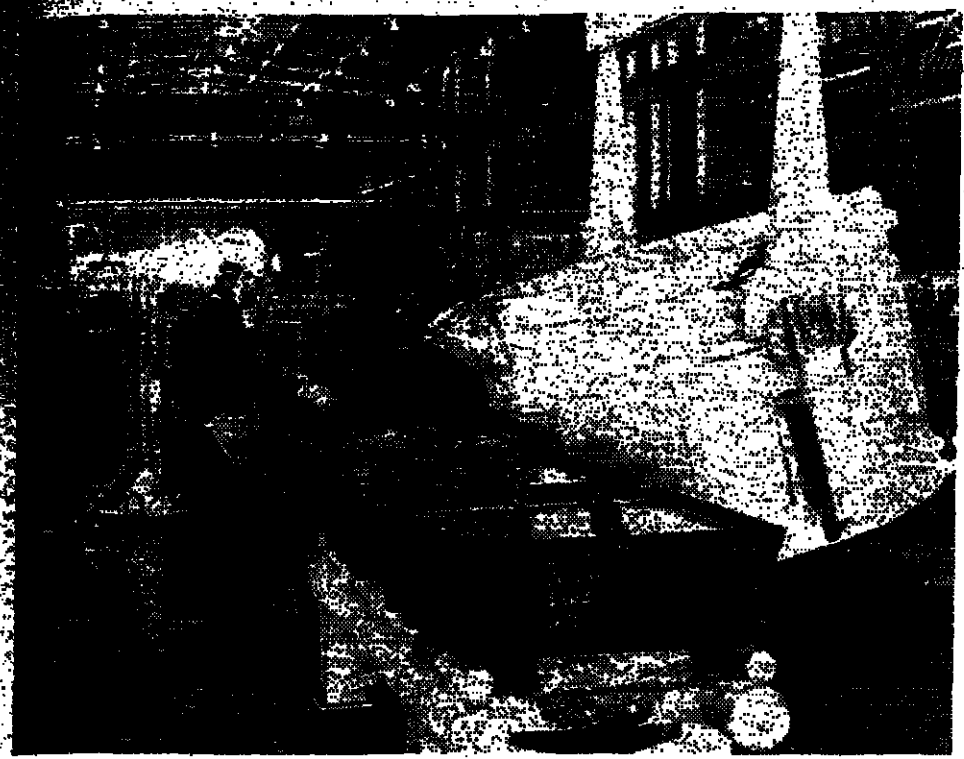
Contracting in Dubai has also seen a slowdown, and there are no projects coming up that compare with construction work at the Jebel Ali port and industrial center in the 1970s and the building of the Dubai Dry Docks, projects that were strongly backed by Dubai's aging ruler, Sheikh Rashid bin Said al-Maktum. But Dubai municipality has a 1984 budget of close to \$500 million, about two-thirds of which will go for development spending. Dubai's crown prince, Sheikh Maktum bin Rashid, is taking an increasing interest in the running of the municipality and the projects the emirate needs, and in November he approved a start on the largest project pending, a \$230-million sewage treatment works and pipeline system.

The smaller northern emirates financed most of their development in the 1970s with assistance from the federal government. Because of the federal budget deficit, this source of finance has been severely restricted. Some of the emirates are now planning their hopes on finding and developing their own hydrocarbons to fund new projects. Sharjah is exporting condensate from the important Saja'a gas/condensate field and Ras al-Khaimah began exporting small quantities of high-quality oil earlier this year.

Contracting opportunities in Sharjah will center on building downstream facilities for Saja'a gas. A Japanese group has won a contract to build a liquefaction plant, Chimie de France is negotiating for a stake in an ammonia urea plant and Britain's Imperial Chemical Industries is looking at the possibility of methanol production in Sharjah. Work has started on an industrial port for these projects at Hamriya, a few kilometers up the coast from Sharjah town.

It will be some time before the revenue generated for the Sharjah government by these projects translates into new infrastructure work, as the emirate is still paying off debts contracted during an ill-considered burst of spending in the mid-1970s.

In the emirates that do not possess hydrocarbons, development is likely to be slow over the next few years.



A liquid aluminum plant in the Jebel Ali industrial zone at Dubai.

Hard, New Look at Agriculture

By Susannah Tarbush

LONDON — In April, the United Arab Emirates celebrated its fifth annual tree-planting day with a flourish. Abu Dhabi's nurseries supplied the municipalities with 35,000 saplings. In Sharjah the day was marked by a motorcade decorated with flowers. It was announced that more than 500,000 trees would be planted in the Emirates this year.

But behind the festivities there are considerable anxieties about agriculture, particularly given the cuts in government spending that have resulted from the fall in oil revenues. The depletion of the country's water resources is a major source of concern.

The extensive afforestation projects and the generous provision of greenery in U.A.E. cities make the environment immeasurably more pleasant than it would otherwise be. On Abu Dhabi island alone there are 530 hectares (1,309 acres) of greenery, and an army of gardeners is perpetually on the move tending the lush parks, gardens and roadsides. But the greening of the Emirates illustrates the dilemma facing the federation's planners: the vast cost of sustaining plant and animal life in the harsh environment of the Gulf when financial resources are shrinking.

Opinion on the afforestation program is divided between those who are promoting the idea of plentiful green belts to push back the desert and improve the climate by providing moisture, and those who believe the price in terms of water use is far too high.

Many planners view the drop in oil revenues and cutbacks in official spending as a blessing in disguise, forcing a hard look at expenditure and introducing "rationalizations." In the last two years the Ministry of Agriculture and Fisheries has intervened to an unprecedented extent to try to ensure that agricultural resources are used as efficiently as possible.

The ministry's concerns are shared by the Gulf Cooperation Council, which has made increasing food security one of its top priorities.

Another reason for the encouragement of agriculture in the Emirates is the wish to see residents of traditional farming communities remain on the land rather than drift to the cities. The Ministry of Agriculture has provided a tempting package of subsidies, paying half the cost of seeds, pesticides, fertilizers, spraying equipment and water pumps and giving free services in land preparation, well-digging and pump installation and maintenance. As one 78-year-old farmer told the Khaleej Times, "Without the ministry's help, farming today would just not be worth the effort."

The agricultural drive has chalked up some impressive achievements. Between 1977 and 1983, local agricultural production rose from 192,000 to 623,000 tons, while the number of farms grew from 7,759 to 12,584. The Emirates is virtually self-sufficient in fish, animal feed, poultry and eggs, and produces about a quarter of its need for dairy products and half that for vegetables.

Production is extremely expensive, however. At the Azid, Ras Al Khaimah, Research Center on Sadiyat Island, off Abu Dhabi, for example, it is estimated that the income from crop sales meets only about a third of costs. The center has more than 40 greenhouses, as well as a combined power station and desalination plant.

Uncontrolled drilling of wells has led to a rapid decline in the country's underground water reserves and to a deterioration in the quality of water in the coastal aquifer as the sea encroaches. Some wells have run dry, and increased salinity is a major problem.

The authorities are tackling the water problem in a number of ways, including building dams to catch rainwater in the wadis and prevent flooding. The experimental station set up in 1975 at Diddaga in Ras al-Khaimah, with technical assistance from the United Nations Food and Agriculture Organization, has carried out important research into irrigation practices, with the emphasis on conserving water. Its other areas of research are horticulture, soil fertility, plant nutrition and plant protection. The results are carried to farmers by members of the center's extension

unit, and there is also a repair and maintenance workshop.

As part of efforts to reduce expenditure and rely more on its own resources, the Agriculture Ministry took over the running of the center from the FAO a few weeks ago and intends to supply its own staff.

The ministry has shown itself ready to influence farmers' activities by being more selective in its application of subsidies. There is overproduction in some crops, such as tomatoes, cauliflower, cabbage and eggplant, while much demand for potatoes and onions must be met by imports. A ministerial committee recommended in 1983 that farmers receive a subsidy of 2 dirhams a kilogram (2.2 pounds) of

vegetables that are not overproduced, but 1 dirham a kilo of tomatoes — and that only if less than a quarter of the farmer's cultivated land went to tomatoes. Said al-Ragabani, the minister of agriculture, said in April that importing produce in which the Emirates is self-sufficient will be banned during growing seasons.

A significant move has been the setting up of a unit to market agricultural products. The unit's functions include collecting, sorting, preparing and pricing, storage and, in some cases, exporting. The aim is to increase discipline in the agricultural sector, for the days when agriculture was a free-for-all are definitely over.

confidence, reinforced by wealth, that the horrors of the Iran-Iraq war — and to the Gulf Arab, less hardened to the nature of 20th-century warfare, it is a particularly horrible war — might have undermined had it not been for the GCC.

The council was set up in 1981 to meet the threats to Gulf peace from the Iranian revolution and from the war, and it has come much further than anyone at the time expected, mainly because of pressures from those two events. Although most of the many GCC meetings are concerned with economic affairs, last November politics and defense issues dominated the summit meeting in Doha, the Qatari capital.

Of all the GCC countries, the Emirates probably has the closest links with Iran. All GCC member states maintain some links: Iranians who have lived on the Arabian littoral for many generations; Arabs who have returned over the years from Iran to Arabia; Iranian sellers of vegetables in Arabian souks; traders who have gone back and forth, especially from Dubai, with consumer goods for Iran, food and fodder for Arabia. These trading links of Dubai's bring the Emirates closest to Iran.

It also has links with Iraq; Arab brotherhood is a great deal more than a mere slogan in the Gulf, and Abu Dhabi, probably Sheikh Zayed personally, has contributed handsomely to the Iraqi war effort. But the Emirates preserves an image of fence-sitting, in its reception of Iranian officials, to counter the Iraqi bias of the GCC as a whole.

GCC policies are often easier to talk about at this stage than to implement. When it comes to action, independence is more popular than interdependence, whether within the federation or within the wider area. Dubai protested loudest at the imposition of GCC tariffs, although the abolition of internal duties has opened up the Saudi market to Dubai's advantage. Abu Dhabi, as befitted Sheikh Zayed's domain, is much more prepared to acquiesce in the centralization of certain aspects of Gulf development — industry, education, communications, even defense — and feels less threatened by it.

The other emirates, lacking the wealth of Abu Dhabi and Dubai, would welcome anything that might replace the depleted federal funds on which they depended for their development. Kuwaitis invest

in Sharjah real estate. Saudis invest in Ajman's oil refinery. Kuwaitis again back Ras al-Khaimah's poultry and cement.

Improving regional security presents the greatest problems. U.A.E. leaders are as anxious as anyone to keep the superpowers out of the Gulf, but Abu Dhabi and Dubai are a long way from reconciling their respective armaments and forces, and that is a bad omen for the region. The GCC maneuvers

held in Abu Dhabi last autumn were generally regarded as a remarkable success, not least for getting everyone to the right place at the right time. But Dubai was conspicuous by its absence. More maneuvers are planned, and there is talk of a Rapid Deployment Force in five years. But it may take an outside event to bring home the fact that someone has got to play second fiddle.

— SARAH SEARIGHT

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| NYSE Most Actives | | | |
|-------------------|--------|--------|-----------|
| Symbol | Price | Change | Volume |
| IBM | 117.12 | +1.12 | 1,100,000 |
| AT&T | 47.12 | +0.12 | 1,000,000 |
| GE | 29.12 | +0.12 | 800,000 |
| AMC | 10.12 | +0.12 | 700,000 |
| AMR | 10.12 | +0.12 | 600,000 |
| AMT | 10.12 | +0.12 | 500,000 |
| AMN | 10.12 | +0.12 | 400,000 |
| AMH | 10.12 | +0.12 | 300,000 |
| AMJ | 10.12 | +0.12 | 200,000 |
| AMK | 10.12 | +0.12 | 100,000 |

| Dow Jones Averages | | | |
|--------------------|--------|--------|--------|
| Index | High | Low | Close |
| Indus | 117.12 | 116.12 | 117.12 |
| Transp | 47.12 | 46.12 | 47.12 |
| Comp | 29.12 | 28.12 | 29.12 |
| Fin | 10.12 | 9.12 | 10.12 |

| NYSE Index | | | |
|------------|--------|--------|--------|
| Index | High | Low | Close |
| Composite | 117.12 | 116.12 | 117.12 |
| Indus | 47.12 | 46.12 | 47.12 |
| Transp | 29.12 | 28.12 | 29.12 |
| Comp | 10.12 | 9.12 | 10.12 |

| NYSE Closing | | | |
|--------------|--------|--------|--------|
| Index | High | Low | Close |
| Composite | 117.12 | 116.12 | 117.12 |
| Indus | 47.12 | 46.12 | 47.12 |
| Transp | 29.12 | 28.12 | 29.12 |
| Comp | 10.12 | 9.12 | 10.12 |

| AMEX Diaries | | | |
|--------------|--------|--------|--------|
| Index | High | Low | Close |
| Composite | 117.12 | 116.12 | 117.12 |
| Indus | 47.12 | 46.12 | 47.12 |
| Transp | 29.12 | 28.12 | 29.12 |
| Comp | 10.12 | 9.12 | 10.12 |

| NASDAQ Index | | | |
|--------------|--------|--------|--------|
| Index | High | Low | Close |
| Composite | 117.12 | 116.12 | 117.12 |
| Indus | 47.12 | 46.12 | 47.12 |
| Transp | 29.12 | 28.12 | 29.12 |
| Comp | 10.12 | 9.12 | 10.12 |

| AMEX Most Actives | | | |
|-------------------|--------|--------|-----------|
| Symbol | Price | Change | Volume |
| IBM | 117.12 | +1.12 | 1,100,000 |
| AT&T | 47.12 | +0.12 | 1,000,000 |
| GE | 29.12 | +0.12 | 800,000 |
| AMC | 10.12 | +0.12 | 700,000 |
| AMR | 10.12 | +0.12 | 600,000 |
| AMT | 10.12 | +0.12 | 500,000 |
| AMN | 10.12 | +0.12 | 400,000 |
| AMH | 10.12 | +0.12 | 300,000 |
| AMJ | 10.12 | +0.12 | 200,000 |
| AMK | 10.12 | +0.12 | 100,000 |

| NYSE Most Actives | | | |
|-------------------|--------|--------|-----------|
| Symbol | Price | Change | Volume |
| IBM | 117.12 | +1.12 | 1,100,000 |
| AT&T | 47.12 | +0.12 | 1,000,000 |
| GE | 29.12 | +0.12 | 800,000 |
| AMC | 10.12 | +0.12 | 700,000 |
| AMR | 10.12 | +0.12 | 600,000 |
| AMT | 10.12 | +0.12 | 500,000 |
| AMN | 10.12 | +0.12 | 400,000 |
| AMH | 10.12 | +0.12 | 300,000 |
| AMJ | 10.12 | +0.12 | 200,000 |
| AMK | 10.12 | +0.12 | 100,000 |

New York Stocks End Mixed

United Press International

NEW YORK — The New York Stock Exchange wrapped up a grim week with mixed results Friday in moderately active preholiday trading following a six-day slide that took prices to 15-month lows.

Some banking stocks rebounded from unfounded rumors about industry stability and a few stocks involved in takeovers scored big gains. But the rest of the list was restrained by news of fighting in the Gulf.

The Dow Jones industrial average, which fell 49.73 over the previous six sessions, gained 3.67 to 1,107.10. It fell 10.37 to 1,103.43 Thursday, the lowest level since Feb. 23, 1983. It lost 26.69 for the week overall.

Declines edged advances 803-762 among the 1,591 issues traded.

Volume slipped to 78.2 million shares from 99 million traded Thursday as many investors left early for the Memorial Day weekend. The market will be closed Monday.

"This was a typical preholiday market," said Charles Jensen of MKI Securities. "There was some bargain hunting in blue-chip stocks but there was no aggressive buying by institutions."

Some investors were encouraged by the Federal Reserve's report late Thursday that the U.S. money supply rose a less-than-expected \$1.1 billion in the latest statistical week.

Traders also were heartened that federal funds rates, which banks charge one another for overnight loans, dropped to 9/16 percent from 10/16 percent Thursday. These rates had fluctuated recently as the Fed made more money available to troubled Continental Illinois Bank.

But Wall Street still was unsettled by reports of fighting in the Gulf between Iran and Iraq. Iran claimed it destroyed eight vessels off Iraq's coast. Lloyds of London said Gulf insurance rates have doubled and Saudi Arabia speculated insurance would be abolished.

"The market has been down so many days in a row that it was due for a rally," said Robert Kahan of Montgomery Securities, San Francisco. "But the stock market is not going to do anything long-term until the bond market improves."

Continental Illinois, down 2% the previous four sessions, was the most active NYSE-listed issue, off 3/4 to 74. Continental is still trying to find a merger partner.

Other banking stocks rebounded from Thursday's setbacks. Manufacturers Hanover, which fell 3/4 Thursday on unfounded rumors, gained 1/4 to 28 1/2 in active trading.

Citicorp rose 1/4 to 30. Irving Trust (ex-dividend) 1/4 to 53 1/2. Chase Manhattan 1/4 to 41 1/4. J.P. Morgan 1/4 to 65 1/4. Chemical Corp. 1/4 to 27 1/4. Bankers Trust 1/4 to 39 1/4. Wells Fargo 1/4 to 34 1/4 and Texas Commerce Bancshares 1/4 to 40.

National Semiconductor was the second most active issue, off 1/2 to 12 1/2 with a block of 1,250,000 shares traded at 12 1/2.

Esmark, a 6 1/2-point winner the previous four sessions, was third on the list, up 1/4 to 58 1/2. Beatrice Foods signed a definitive agreement to buy Esmark for \$60 a share. Beatrice Foods lost 1/4 to 7 1/4.

Exxon, which dropped 1 1/2 Thursday, was fourth, up 1/4 to 41 1/4. Analysts said there was no news to account for Thursday's drop.

| NYSE Most Actives | | | |
|-------------------|--------|--------|-----------|
| Symbol | Price | Change | Volume |
| IBM | 117.12 | +1.12 | 1,100,000 |
| AT&T | 47.12 | +0.12 | 1,000,000 |
| GE | 29.12 | +0.12 | 800,000 |
| AMC | 10.12 | +0.12 | 700,000 |
| AMR | 10.12 | +0.12 | 600,000 |
| AMT | 10.12 | +0.12 | 500,000 |
| AMN | 10.12 | +0.12 | 400,000 |
| AMH | 10.12 | +0.12 | 300,000 |
| AMJ | 10.12 | +0.12 | 200,000 |
| AMK | 10.12 | +0.12 | 100,000 |

| NYSE Most Actives | | | |
|-------------------|--------|--------|-----------|
| Symbol | Price | Change | Volume |
| IBM | 117.12 | +1.12 | 1,100,000 |
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| AMT | 10.12 | +0.12 | 500,000 |
| AMN | 10.12 | +0.12 | 400,000 |
| AMH | 10.12 | +0.12 | 300,000 |
| AMJ | 10.12 | +0.12 | 200,000 |
| AMK | 10.12 | +0.12 | 100,000 |

Spain to Lift Law On Bank Secrecy

Reuters

MADRID — Spain will lift its bank secrecy law by the end of this year to enable the government to crack down on tax evaders, Finance Minister Miguel Boyer said Friday.

Mr. Boyer, speaking at a seminar here, said that Spain's bank secrecy legislation hindered efforts to fight tax evasion. The Socialist Party estimates that the government lost 300 billion pesetas (\$19.4 million) last year through tax evasion.

The Finance Ministry collected 1.3 trillion pesetas in income tax in 1983. This year, the figure is estimated to rise to 1.4 trillion pesetas.

In the past five years, the government has dealt with tax-evasion cases amounting to less than 50 billion pesetas.

While the government has not provided details on the new system, it is expected to simplify government access to bank accounts of taxpayers under suspicion.

This would soften a 1977 law, which requires Finance Ministry inspectors to obtain a court order to examine privately held bank accounts.

Mr. Boyer said this would bring Spain into line with banking legislation of the European Community, which Spain hopes to join in 1986.

| NYSE Most Actives | | | |
|-------------------|--------|--------|-----------|
| Symbol | Price | Change | Volume |
| IBM | 117.12 | +1.12 | 1,100,000 |
| AT&T | 47.12 | +0.12 | 1,000,000 |
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| AMT | 10.12 | +0.12 | 500,000 |
| AMN | 10.12 | +0.12 | 400,000 |
| AMH | 10.12 | +0.12 | 300,000 |
| AMJ | 10.12 | +0.12 | 200,000 |
| AMK | 10.12 | +0.12 | 100,000 |

1

**Tables include the nationwide price
Up to the closing on Wall Street**

| 12 Month | | Stock | Chg | Yr | P/E | IND | LOW |
|----------|------|---------|------|-----|-----|-----|-----|
| 100% | 100% | Super | 3.7 | 28 | 18 | 116 | 116 |
| 90% | 90% | Stamps | 1.02 | 8.2 | 49 | 115 | 115 |
| 80% | 80% | Switzer | 1.0 | 8.2 | 49 | 115 | 115 |
| 70% | 70% | System | 1.0 | 8.2 | 49 | 115 | 115 |
| 60% | 60% | System | 1.0 | 8.2 | 49 | 115 | 115 |
| 50% | 50% | System | 1.0 | 8.2 | 49 | 115 | 115 |
| 40% | 40% | System | 1.0 | 8.2 | 49 | 115 | 115 |
| 30% | 30% | System | 1.0 | 8.2 | 49 | 115 | 115 |
| 20% | 20% | System | 1.0 | 8.2 | 49 | 115 | 115 |
| 10% | 10% | System | 1.0 | 8.2 | 49 | 115 | 115 |
| 0% | 0% | System | 1.0 | 8.2 | 49 | 115 | 115 |
| 100% | 100% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 90% | 90% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 80% | 80% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 70% | 70% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 60% | 60% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 50% | 50% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 40% | 40% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 30% | 30% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 20% | 20% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 10% | 10% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 0% | 0% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 100% | 100% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 90% | 90% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 80% | 80% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 70% | 70% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 60% | 60% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 50% | 50% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 40% | 40% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 30% | 30% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 20% | 20% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 10% | 10% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 0% | 0% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 100% | 100% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 90% | 90% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 80% | 80% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 70% | 70% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 60% | 60% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 50% | 50% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 40% | 40% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 30% | 30% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 20% | 20% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 10% | 10% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 0% | 0% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 100% | 100% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 90% | 90% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 80% | 80% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 70% | 70% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 60% | 60% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 50% | 50% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 40% | 40% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 30% | 30% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
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| 0% | 0% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 100% | 100% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 90% | 90% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 80% | 80% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 70% | 70% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 60% | 60% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 50% | 50% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 40% | 40% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 30% | 30% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 20% | 20% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 10% | 10% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 0% | 0% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 100% | 100% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 90% | 90% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 80% | 80% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 70% | 70% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
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| 40% | 40% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
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| 100% | 100% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
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| 80% | 80% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 70% | 70% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 60% | 60% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 50% | 50% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 40% | 40% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 30% | 30% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
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| 10% | 10% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
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| 70% | 70% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 60% | 60% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 50% | 50% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 40% | 40% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 30% | 30% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
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| 40% | 40% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
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| 90% | 90% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 80% | 80% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 70% | 70% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 60% | 60% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 50% | 50% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
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| 80% | 80% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 70% | 70% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 60% | 60% | T. Bar | 3.11 | 54 | 22 | 107 | 107 |
| 50% | 50% | T. Bar | 3.11 | 54 | 22 | | |

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Company Activity _____

U.S. May Extend Loan Pledge To Argentina

The Associated Press

WASHINGTON — The United States will extend its commitment to supply a temporary loan to Argentina beyond the May 31 expiration date if Argentina appears close to agreement with the International Monetary Fund on an austerity plan, the Treasury Department has indicated.

The deputy Treasury secretary, R.T. McNamar, said Thursday that the United States would be willing to extend its offer "if there was a matter of a few days" needed to work out final arrangements with the IMF.

He was seeking to clarify an earlier statement in which he appeared to rule out any further extensions in the agreement. Earlier Thursday, Mr. McNamar said that "it would be hard to imagine circumstances" in which the United States would agree to extend the loan commitment beyond May 31.

In his later statement, Mr. McNamar refused to specify what he meant by a "few days," but he said that he understood Argentina was making progress

In its negotiations with the IMF.

Bank Stocks

Rend

(Continued from Page 11)

problems coming up with cash to meet its operating needs.

In Washington, Treasury Secretary Donald T. Regan said: "There's nothing wrong with Manufacturers Hanover.... There was a crisis of perception [Thursday] based on rumors emanating from London, and the American markets panicked.... I spent 30 minutes in Wall Street and I can assure you there's no way to stop rumors in markets."

Manufacturers Hanover's stock, which had plunged to \$3.374 a share Thursday, rose 62½ cents to close at \$4.00 1/8 Friday.

Continental Illinois' stock rose again Friday, though, dropping 75 cents a share to \$7.25 after rising 37½ cents on Thursday.

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26-5-84

U.S. May Extend

Loan Pledge To Argentina

The Associated Press

WASHINGTON — The United States will extend its commitment to supply a temporary loan to Argentina beyond the May 31 expiration date if Argentina appears close to agreement with the International Monetary Fund on an austerity plan, the Treasury Department has indicated.

The deputy Treasury secretary, R.T. McNamar, said Thursday that the United States would be willing to extend its offer "if there was a matter of a few days" needed to work out final arrangements with the IMF.

He was seeking to clarify an earlier statement in which he appeared to rule out any further extensions in the agreement. Earlier Thursday, Mr. McNamar said that "it would be hard to imagine circumstances" in which the United States would agree to extend the loan con-

(Continued from Page 11)

In Washington, Treasury Secretary Donald T. Regan said:

There's nothing wrong with Manufacturers Hanover. . . . There was a crisis of perception [Thursday] as the rumors swirling around London and the American stock markets panicked. . . . I spent 3 1/2 years in Wall Street and I can assure you there's no way to stop rumors in markets. . . . Manufacturers Hanover's stock, which had plunged \$3.37 a share, rose 62¢ Friday, rose 62¢ cents to close at \$28.25 Friday.

The stocks of other banks also jumped Thursday amid the rumors. Most rebounded Friday. Citicorp, for example, was off 87¢ on Thursday, but rose 25¢ to \$30. Bankers Trust of New York rose \$1.75 to \$37.75, erasing Thursday's loss of 37%.

Continental Illinois's stock dropped again Friday, though, dropping 75 cents a share to \$7.25 after rising 37¢ cents on Thursday.

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SPORTS

Tarnished Gold: Where the Olympic Boycott Hurts

By Timothy Collings

LONDON — The withdrawal from the Los Angeles Olympics of the Soviet Union and its allies, now almost complete with Cuba's pullout on Wednesday, will mean the redistribution of well over half the gold medals won in the last East-West Summer Games confrontation, in Montreal in 1976. Due to the U.S.-led boycott of the 1980 Moscow Games, the Los Angeles Games this July would have been the first in eight years to pit the United States against its strongest opponents, the Soviet Union, the medal leader at Montreal with 125, and East Germany, which ranked second in golds in 1976. In 1976, 114 of the 196 gold medals awarded went to athletes from the Soviet Union, East Germany, Poland, Bulgaria, Cuba, Hungary and Czechoslovakia, all of whom will be absent this year. Of the Eastern bloc countries, only Romania has said it will go to Los Angeles.

None of the countries expected to confirm their participation in the 23rd Summer Games by June 2 will seriously threaten the expected U.S. supremacy. And none of the 21 Olympic sports will be unscathed by the boycott.

Archery: Soviet archers took 10 individual medals and both team titles at last year's European indoor championships in Sweden. **Athletics:** At the world championships in Helsinki last August, the Eastern bloc won 22 of the 41 gold medals and swept all three medals in eight of the 17 women's events. The strength in depth of the East European

women was reflected in the shot put and discus where they took the first six places, the 400-meter hurdles where they filled the first five positions and the 100-meter hurdles where they provided the top four.

Eastern European men, while weaker in track events, were strong in the Helsinki field events. Gennadi Avdeyenko, Sergei Bubka and Sergei Litvinov, all of the Soviet Union, won the high jump, pole vault and hammer; Edward Sarul and Zdzislaw Hoffman of Poland the shot put and triple jump; Czechoslovakian Jiri Hladky the discus and East German Detlef Michel the javelin.

Basketball: The Soviet men were likely medalists in Los Angeles while the women were considered favorites for gold. At last year's world championships in São Paulo, Brazil, the women beat the United States, 84-82, in the final.

Boxing: Cuba's withdrawal takes the heart out of the event. They took six of the 11 titles in Moscow and five golds at the last world championships two years ago.

Canoing: At last year's world championships in Tampere, Finland, East Germany won six gold and three silver medals and the Soviet Union three gold and four silver. In Moscow, the Eastern bloc took 29 of the 33 medals.

Cycling: East Germany and the Soviet Union would almost certainly have taken the majority of gold and silver medals. At last year's world championships in Zurich and St. Gallen, Switzerland, the Olympic champion Lutz Henschel of East Germany won the men's sprint, and Sergei Sukhoruchenkov of the Soviet Union won the road race.

Fencing: The Soviet Union won two golds and the Eastern bloc took nine of the 24 possible medals at last year's world championships in Vienna.

Gymnastics: The Soviet women have only twice lost the team title in the past 32 years of Olympic and world championships. But the men's team might well have lost to China in Los Angeles as they did in the last year's world championships in Budapest. The main individual losses will be all-around champions Natalia Yurchenko and Dmitri Belozerkov.

Judo: In the eight weight classes, three titles seemed within reach of the Eastern Europeans. At last year's world championships in Moscow, East German and Soviet fighters collected four gold medals — lightweight, middleweight, half-lightweight and super-lightweight.

Modern pentathlon: The Soviet Union, as titles and set numerous records at the recent European championships. Bulgaria and the Soviet Union could have swept all 10 golds in Los Angeles. Among those who will be missed are Neno Terziski and Alexander Varbanov of Bulgaria and Yuri Sarkisyan of the Soviet Union.

Rowing: East German crews dominate the men's events and Soviet crews are tops in the women's rowing. At last year's world championships in Duisburg, West Germany, East Germany won the men's double sculls, coxed pairs and coxed pairs and the women's coxed four, coxed fours and single sculls. The Soviet Union won the coxed quadruple sculls and eight.

Shooting: The Soviet Union and East Ger-

many hold several Olympic medals and are particularly strong in the pistol. Women will compete in this event for the first time in Los Angeles.

Swimming: Vladimir Salnikov of the Soviet Union, the world champion and world record holder, has dominated distance freestyle for seven years and was expected to stage a repeat of his double gold success over 400 and 1,500 meters in Moscow.

East Germany's women swimmers are devastating; they won 11 races out of 14 at the 1982 world championships in Guayaquil, Ecuador, and won silver or bronze medals where they failed to strike gold.

Ute Geweniger, the world record holder in the 100-meter breaststroke and the 200-meter individual medley, would have led an East German team packed with her peers.

Weightlifting: The Eastern bloc won all 60 titles and set numerous records at the recent European championships. Bulgaria and the Soviet Union could have swept all 10 golds in Los Angeles. Among those who will be missed are Neno Terziski and Alexander Varbanov of Bulgaria and Yuri Sarkisyan of the Soviet Union.

Wrestling: The Soviet Union won 12 golds and Bulgaria four out of a total of 19 at the recent European championships in Jönköping, Sweden.

Yachting: The best Soviet medal prospects were Olympic champion Viktor Potapov in tarmac, Oleg Khoperski in fin, Boris Budnikov in sailing and Sergei Borodinnov in flying Dutchman.



The Phillies' Ozzie Virgil beat the tag by Dodger catcher Mike Scioscia on the throw to the plate by left fielder Terry Whitfield. The Dodgers argued, but lost the call and the game.

Tigers Win 17th Straight on Road

Compiled by Our Staff From Dispatches
ANAHEIM, California — Jack Morris overpowered the California Angels, 5-1, with a four-hitter Thursday night as the Detroit Tigers tied the major league record with their 17th straight road victory.

Detroit's ninth consecutive victory gave the Tigers a 17-0 mark on

Mark of '16 Giants Reached by Detroit

Baltimore left 12 runners on base. "We've been doing that a lot, leaving them on," said Oriole Manager Joe Altobelli.

Rangers 4, Brewers 3

In Arlington, Texas, Dave Hostetler's second homer of the year provided the winning run and Dave Stewart allowed six hits over eight innings to pace the Texas Rangers to a 4-3 triumph over Milwaukee. Stewart, who lost his first six decisions, walked two and struck out two in winning his third straight.

Yankees 2, Mariners 0

In Seattle, Phil Niekro (7-2) scattered five hits over seven innings to lower his league-leading ERA to 1.20 and Don Baylor homered for the third consecutive game as New York posted its second straight shutout, 2-0, over the Mariners.

Cubs 10, Braves 7

In the National League, in Chicago, the Cubs hit six home runs, including two each by Leon Durham and Jody Davis, and swept a double-header from Atlanta, 10-7 and 7-5. The victories extended the Cubs' winning streak to six games and marked their first double-header victory since they beat San Francisco Aug. 3, 1980, in sweeping the three-game series from the Braves. Chicago has now won 16 of 20 home games. In the opener, Durham hit his 10th and 11th homers to lead a 16-hit attack. In the nightcap, Rick Reuschel (2-1) pitched the first six innings for the victory, and Rich Bordi went 2 1/3 for his second save.

A's 3, Orioles 2

In Oakland, California, Dave Kingman's bases-loaded sacrifice fly in the eighth inning gave the A's a 3-2 victory over Baltimore. Kingman's fly ball to deep center for the 37 RBI of the season was the A's third sacrifice in their winning rally — following two bunts — and their fourth of the day. At the same time,

Pirates 5, Reds 1

In Pittsburgh, Lee Lacy homered and Pete Mazzilli and Dale Berra drove in two runs each to lead the Pirates past Cincinnati, 5-1. Larry McWilliams (2-3) gave up eight hits and two walks but struck out 10 in pitching his first complete game. The Reds scored their only run in the sixth as a result of a two-base error by Lacy.

Mets 3, Giants 1

In New York, Mike Krutok continued his career mastery over New York with a four-hitter and Bob Brenly's home run broke a sixth-inning tie to send San Francisco to a 3-1 triumph over the Mets. Krutok (3-5) raised his lifetime record to 13-3 against New York, the last eight in a row. Walt Terrell (3-4) was the loser.

Phillies 4, Dodgers 3

In Philadelphia, Juan Samuel scored from third on infield single with two out in the ninth to give the Phillies a 4-3 victory over the Dodgers. Al Holland (2-2) pitched out of a ninth-inning jam after the Dodgers had a runner on third with one out. Pat Zachry (2-1) was the loser.

Cubs 7, Braves 5

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A's Fire Boros In Shake-up

United Press International

OAKLAND, California — The Oakland A's fired manager Steve Boros Thursday and named coach Jackie Moore to replace him.

In 1982 Boros had replaced Billy Martin, whom the A's front office claimed was too tough and aggressive. Now, management says Boros is too nice and not forceful enough and have replaced him with Moore, whom it says, is "more enthusiastic, perhaps aggressive."

"The need was to do something," club president Roy Eisenhardt said after the team had lost eight of its last 10 games. "We have a good club but the team is not playing anywhere near its level of ability and the margin is widening."

Boros, 47, is considered one of the brightest major league managers in terms of intellect. But those observers of the club felt Boros never really had a chance because Eisenhardt and the club's general counsel, Sandy Alderson, were determined to be a part of all on-field decisions. Eisenhardt has been in baseball only four years and Alderson only two.

Boros was offered a job in the front office. Also fired was pitching coach Ron Schuler, who was replaced by Wes Stetter, a former A's coach. Schuler has been switched to special assignment scout. "We really had a chance because Eisenhardt and the club's general counsel, Sandy Alderson, were determined to be a part of all on-field decisions. Eisenhardt has been in baseball only four years and Alderson only two."

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Slalom at the Airport

sengers who could clearly be seen through the windows. He said, "I'm making money on the deal, but the real thrill for me is to see the delighted expressions on the travelers' faces every time they fly by my building."

Most important, from the time they began their New Year's Eve broadcasts from New York's Roosevelt Hotel in 1929 until Lombardo's death in 1977, they were as much the world's New Year's Eve as Times Square, funny hats and too much champagne.

At the dance, more than 1,000 guests, paying \$10 each, glided across the floor like the old days.

"Do you know that I haven't done that since 1948?" one smiling woman said to her partner as they rather breathlessly strolled off the dance floor. "I'm dizzy."

County state attorney's office showed Kennedy might have been trying to conceal possible drug use. The autopsy report said Kennedy's death last month in a Palm Beach hotel was an accident due to "combined drug intoxication" from cocaine and two other drugs. Wright and Wells were not involved in the

The Olympic gold medalist Scott Hamilton, winner of four straight world championships in men's skating, has signed a multi-year contract with Ice Capades and will join the tour as a skater in August. Terms of the contract were not de-

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